

Registered No 00030800

The Heavitree Brewery PLC

Financial Statements

31 October 2023

Annual report and financial statements

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Directors and other information

Directors

N H P Tucker Chairman
G J Crocker Managing and Finance
T Wheatley Trade
T P Duncan*
K Pease-Watkin*
C J Bush*
*Non-executive

Secretary and registered office

N J McLean
The Heavitree Brewery PLC
Trood Lane
Matford
Exeter EX2 8YP

Bankers

Barclays Bank PLC
4th Floor
Bridgewater House
Counterslip
Finzels Reach
Bristol
BS1 6BX

National Westminster Bank PLC
59 High Street
Exeter
Devon
EX4 3DL

Solicitors

WBW Solicitors
3rd Floor
The Forum
Barnfield Road
Exeter
EX1 1QR

Trowers & Hamlins
3 Bunhill Row
London
EC1Y 8YZ

Nominated advisor and broker

Shore Capital and Corporate Limited
Cassini House
57 St James's Street
London
SW1A 1LD

Shore Capital Stockbrokers Limited
Cassini House
57 St James's Street
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Auditor

PKF Francis Clark
Centenary House
Peninsula Park
Rydon Lane
Exeter
EX2 7XE

Tax Advisors

Bishop Fleming
Stratus House
Emperor Way
Exeter Business Park
Exeter
EX1 3QS

Registrars

Computershare Investor Services PLC The Pavilions Bridgewater Road Bristol BS13 8AE
Shareholders' dedicated telephone number: 0370 707 1063

Notice of annual general meeting

NOTICE IS HEREBY GIVEN that the One Hundred and Thirty Fourth Annual General Meeting of The Heavitree Brewery PLC will be held at the Company's offices, Trood Lane, Matford, Exeter on 11 April 2024 at 11.30am to transact the following business:

Ordinary business

1. To receive and, if thought fit, adopt the financial statements of the Company for the year ended 31 October 2023 and the strategic report and the report of the Directors thereon.
2. To declare final dividends on the Ordinary Shares and the 'A limited Voting Ordinary Shares.
3. To re-elect G J Crocker as a Director of the Company.
4. To re-elect K Pease Watkin as a Director of the Company.
5. To re-appoint PKF Francis Clark as auditor of the Company for the period prescribed in section 489 of the Companies Act 2006.
6. To authorise the Directors to determine the remuneration of the auditor.

Special business

To consider and, if thought fit, pass the following Resolution as a Special Resolution.

7. THAT the Company be hereby authorised to purchase up to an aggregate of 276,704 Ordinary Shares of 5p each and/or 477,371 'A' Limited Voting Ordinary Shares of 5p each in the capital of the Company at a price (exclusive of expenses) which is:
 - (i) not more than £15 nor less than 5p per share; and
 - (ii) not more than 5% above the arithmetical average of business transacted (as derived from the Daily Official List of The London Stock Exchange) for the ten business days next preceding any such purchase;

AND THAT the authority conferred by this resolution shall expire on the date of the Company's Annual General Meeting in 2025 (except in relation to the purchase of shares the contract for which was concluded before such date and might be executed wholly or partly after such date).

By Order of the Board

N J MCLEAN
Secretary
07 March 2024

Trood Lane
Matford
Exeter
EX2 8YP

Notice of annual general meeting

Notes:

1. Any member entitled to attend and vote at the above meeting may appoint one or more proxies to attend and, on a poll, to vote instead of him. A proxy need not be a member of the Company.
2. Only holders of Ordinary Shares and 'A' Limited Voting Ordinary Shares are entitled to attend and vote at the meeting. On a poll the Ordinary Shares carry one vote for every £1 in nominal amount and the 'A' Limited Voting Ordinary Shares carry one vote for every £10 in nominal amount.
3. The Directors' service contracts will be available for inspection at the registered office of the Company during normal business hours on any weekday, and at the place of the Annual General Meeting for fifteen minutes prior to, and during, the meeting.
4. The dividend, if approved, will be paid on 19 April 2024 to shareholders on the register on 15 March 2024.

Strategic report

Chairman's statement

In my statement at the half-year, I reported that the consensus among our tenants was that top line trading had held up well during the first six months of the year despite the many concerns we all shared about the pressures to which the trade as a whole was and continues to be subjected. Now that we are reviewing the full year, I am pleased that the second half of the year has continued in a similar vein and a small increase in turnover has been achieved. I do feel it is important to understand that very few of the aforementioned pressures have gone away and it is a reflection of the hard work of our tenants in the pubs combined with the good support from Head Office that has meant that the pubs continue to trade well in these difficult times.

Turnover has increased by 0.9% to £7,346,000 (2022: £7,280,000). Rental income has been adjusted, as in recent years, by the winding down of the rental concessions given during the Covid years in accordance with the IFRS16 Lease Accounting standard; there has been reduction to revenue of £121,000 (2022: £230,000). An operating profit for the year for the Group of £1,042,000 has been returned (2022: £1,422,000).

The reduction in operating profit against the previous year has been as a direct result of a programme of significant spending on repairs including at the Swan Inn in Lympstone, Henry's Bar in Exeter and the Two Mile Oak near Newton Abbot which now have wonderfully improved external trading areas. Further significant repairs were completed at the Beach in Exmouth and the Horse and Groom in Heavitree. In total the spend on repairs has reached £1,061,000 (2022: £771,000). Operating profit was further affected by increased insurance costs inflated by an 18% hike in the rebuild index applied to the base cost.

The Group results are also affected by an impairment cost of £150,000 relating to the Heavitree in Exmouth

The Company has continued with the programme of selling non-core assets to reduce debt and it is planned to make a further reduction in the year ahead. Although in the year under review an increase in net debt of £188,000 has been reported, this is a consequence of a large capital refurbishment at the Ley Arms (further details below), large repair costs as detailed above and the timing of the sales of a couple of properties which have been delayed into the new financial year.

Dividend

The Directors are pleased to recommend a final dividend at a rate (unchanged from last year) of 3.5p per ordinary and 'A' limited voting ordinary shares to those shareholders on the Register on 15 March 2024. The dividend, subject to shareholder approval at the Annual General Meeting to be held on 11 April 2024, will be paid on 19 April 2024.

Strategic report

Chairman's statement (continued)

Property

The following properties have been sold during the year under review:

The Jolly Abbot in Newton Abbot.

The Sun Inn in Buckfastleigh.

The Wonford Inn in Exeter.

The Dewdrop Inn in Kingsteignton.

Also, a terraced cottage in Clyst Honiton and a house connected to The Marshalls in Barnstaple (sold in the previous year) have been sold together with a pocket of garden land in Christow. These sales have realised a profit of £1,065,000 in total.

The development of the new accommodation block at the Ley Arms in Kenn is close to completion with the bedrooms being available to book from the beginning of February. The rooms are original in design, beautifully finished and complement the quality offer at the pub. We wish Karen and Martin every success with this exciting new addition to their business.

The plans for the rebuild on the Jolly Sailor site in East Ogwell, which was destroyed by fire in 2021, are being discussed with the local parish council prior to submitting a full application to Teignbridge District Council

Heavitree Inc.

All final tax returns were filed in the year under review. Our accountants in the USA are awaiting the issue of a 'Certificate of Good Standing' to allow the Texas Secretary of State to finalise the termination of our American subsidiary.

Bank Facility

Our bank facility with Barclays was renegotiated and renewed for a further five years under slightly better terms but without any additions or reductions applied. The Directors are grateful for this continued relationship with Barclays. Please see the Going Concern explanation on page 10 for further details on the renewal.

During the course of finalising the draft statutory accounts, it was identified that a technical breach in the debt service covenant as at 31 October 2023 had occurred. The bank are not able to issue a formal waiver of the breach as the old loan and applicable covenants are no longer in existence following the agreement of the new loan after the year end. The bank have confirmed that the debt service covenant was not an appropriate testing mechanism and as the loan has already been replaced with a new facility, there will be no further action in respect of the breach.

However, due to the requirements of IAS1 the Term Loan balance of £2,065,000 is shown in the balance sheet of the 2023 financial statements as a current, rather than non-current liability. As a result of the post year-end renewal, and on the basis that there are no further instances of covenant non-compliance, next year's financial statements will show a movement back to non-current liabilities.

Strategic report

Chairman's statement (continued)

Pension Scheme

The last requirements to achieve the wind-up of the Company's final salary pension scheme have been slow to finalise. The regulatory obligation to complete wind-up by 17 January 2024 was not met although all the delays have been out of the hands of the Trustees and, in turn, the Directors. We are caught up in the painfully slow process of the insurance companies (of which there are five) providing their annuity reassignment requirements to allow for direct payments to each individual member. Although immensely frustrating, the scheme's actuary is continuing to liaise with insurers and progress is being made. The scheme's actuary has also contacted the Pension Regulator and passed on all relevant correspondence. I shall report further at the half-year.

Prospects

The announcement by the Government to extend the 75% business rates relief for a further 12 months was received with relief from all operators although the headline announcement failed to draw attention to the inflationary increase that was implemented. There had been nervousness about a further financial squeeze which would have been, in the present inflationary climate, difficult to absorb.

The Company has enjoyed a decent start to the new financial year with like-for-like beer sales being ahead of the previous year. I look forward to further progress during the year ahead.

N H P TUCKER
Chairman
19 February 2024

Strategic report

Strategic review

Business model

The Group's business is the running and development of a Leased and Tenanted Estate in the South West of England. The Group currently operates 62 Leased and Tenanted public houses. The Group continually maintains and evaluates the Estate with the intention of maximising the full potential of its public houses, this includes development for alternative use where appropriate. The focus is always on attracting and retaining Tenants for the Estate to maintain the quality of the portfolio. As the Group operates a Tenanted Estate these are our customers and the main focus of our business. To understand more about our customers and how we interact with them see S172 statement section on page 12.

Business review

This year has seen our Estate face many economic headwinds including rising food inflation, energy costs and a rapid rise in interest rates along with continued issues with staff retention and shortages. Despite this our turnover has held steady with a small increase on last year of 0.9% to £7,346,000 (2022: £7,280,000). The figures continue to include adjustments for the winding down of the rent concessions under IFRS 16 which in this year has reduced the rental income by £121,000 (2022: £230,000). The Board took the decision to reinstate a programme of repairs across the estate in the year which had been kept to minimum since the pandemic to preserve cash, this year's spend being £1,061,000 (2022: £771,000). While this has affected the Operating Profit in the year 2023 which totalled £1,042,000 (2022: £1,422,000), investment in the Estate is a priority for the Directors as this helps trade and to attract new Tenants and retain its current Tenant base. In the year, the Board has continued with its programme of selling certain assets 7 properties have been sold in the year resulting in a profit of £1,065,000 (2022 £968,000). (for more information, please see S172 statement on page 12).

The Group has continued to focus on the retention of its current Tenants and attracting new operators for any vacancies which occur across the Estate. We have had a number of vacancies during the year with all of them being successfully filled with good, experienced operators. Our trade team have worked closely as always across the Estate and focussed their attention on helping where possible in the difficult economic conditions. We have been able to offer some promotions to the Tenants during the year including winter bounce back offers and vouchers for meal prizes for their customers, to support them where we can. All factors affecting the economy have had some level of impact across the Estate with some Tenants reporting almost weekly rises in food costs. Energy costs, while not reaching the high levels predicted, have affected most Tenants along with our own Head Office energy costs doubling in the year due to contract changes. While footfall overall has seen a slight decrease, Tenants have worked hard on their offer and had to make difficult decisions on costs and staffing in order to keep their customer base and attract new customers.

The Directors have successfully mitigated increases from our main wet suppliers resulting in only a small increase on beer prices passed to Tenants as opposed to the large percentages being initially proposed by our suppliers.

We have looked at the offer we provide to Tenants and believe we have continued to have one of the most competitive Tenancy Agreements within the market as our Tenants have the opportunity to only be tied for draught beer products.

The combined effect of property and fixed asset sales realised a profit of £1,065,000 and the annual property review which has been carried out this year has led to one impairment of £150,000 resulting in a net profit from assets of £915,000 (2022: £968,000). The assets which have been sold in the year were part of the schedule for disposal within the business plan already agreed by the Board.

Strategic report

Strategic review (continued)

In this year, the Group has sold 7 of the non-core assets in its programme of disposals. Over the last 3 years the Group has sold various properties and parcels of land identified within its assets for sale, with the schedule being reviewed each year. More properties have been identified for disposal in the next financial year, two non-core assets and one unlicensed property. The programme of various disposals is looked at and evaluated at each Board meeting. These sales have enabled the Group to continue to reduce its Term Loan and preserve cash in the year. For further details on the selling of assets please refer to the going concern section on page 10.

The Group has managed to achieve a reduction in its term loan of £250,000. While the overdraft facility has not been used in the year. Due to the programme of repairs carried out in the year, there has been an increase of £188,000 in net debt in the year. (See the going concern section on page 10 and net debt note on page 78 for further details). Covenant testing resumed from the 31 October 2022 and our year end results show that we have achieved one of our covenants but that a technical breach has been shown in the debt service cover covenant which has resulted in the bank loan being presented as due within one year in the accounts. This covenant changes with the new bank agreement, which is now in place from November 2023. (See going concern section on page 10 for further details).

The Group continues to work closely and engage with its Tenants on a regular basis to encourage and help them through the year. With the impact of the cost of living crisis, working with our Tenants closely and offering help where we can has been of the upmost priority within this year. For a further review of the business please see the Chairman's Statement on pages 5-7 which forms part of this report.

The Group's net assets have increased in the financial year by £1,158,000 to £16,583,000.

Further information on the assets sold can be found in the Chairman's Statement on pages 5-7 of the strategic review.

Key performance indicators

The Directors measure the development, performance, and position of the Group's business by reference to a number of factors including the following:

Adjusted operating profit before tax

This is the operating profit before tax adjusted to remove non trading transactions such as property sales. This provides useful insight into the Group's activities before allowing for finance costs.

Group operating profit before taxation of £1,042,000 (2022: operating profit before taxation of £1,422,000).

Interest cover

This is the Group's adjusted operating profit before tax, as detailed above, divided by the net finance costs. This is a useful tool in determining whether the Group can maintain its current level of debt and its capacity to increase that level. This year's interest cover is 7.95 (2022: 12.16).

Net debt

The Group is following a longer-term strategy of paying down debt. (Net debt details on page 78)

Dividends and dividend policy

When determining the level of dividend each year, the Board considers the ability of the Group to generate cash, the level of distributable reserves and the level of reserves required to invest in the business to ensure the policy can continue on a long-term basis. An interim dividend was paid of 2.00p and a final dividend of 3.5p has been recommended. Please see Chairman's Statement on page 5 for details.

Strategic report

Strategic review (continued)

Going Concern

The Directors closely monitor the Group's financial resources. This included a continual review of the medium-term financial plan, along with sensitised cash flow forecasts for 12 months from the date of approval of these financial statements. We have seen some of the impact on our Tenants with the continued increase in prices for food, energy, staffing, along with the continued difficulty of retaining staff. These factors remain across the Estate and the industry as a whole. This has been taken into account when forecasting for the coming year and is included within the forecast for the period to April 2025. The forecast for capital receipts in 2024 includes sales of two non-core assets and one unlicensed property, with a budgeted estimate of £1.7m. Any further decisions on the sale of assets will be discussed in Board meetings during the year. These forecasts leave the Group with minimum headroom of over £2m on an overdraft facility of £3m. The Board will continue to review cashflows as part of its ongoing strategy.

The Board took the decision 3 years ago to accelerate the paying down of its £4.5m Term Loan by the selling of non-core assets to secure its current position and the long-term trading position of the Group. The Board originally identified up to 15 non-core assets with a value of between £5m and £7m to be realised over a period of 2 to 3 years. This has been reviewed each year with some further properties being added as the process has progressed. These include unlicensed properties and developments with permissions which are already within the Estate. This year the Group has sold 7 (2022: 8) of the non-core assets resulting in profits of £1,065,000 being realised from these sales, leaving the balance of the Term Loan at 31 October 2023 of £2,065,000.

The Board has continued to engage with the bank regarding its facilities and forward trading. After the year end the Board has negotiated a new 5 Year banking facility including the Term Loan and the £3m overdraft facility. The overdraft facility terms remain the same with no increase on interest rate over the base rate. A small reduction in interest rate on the Term Loan over base has been achieved with an adjustment in the debt service covenant which is now an EBITDA calculation only.

Covenant testing resumed from the 31 October 2022 and our year end results show that we have achieved one of our covenants but that a technical breach has been shown in the debt service cover, this covenant changes with the new bank agreement, which is now in place from November 2023. The bank are not able to issue a formal waiver of the loan as the old loan and applicable covenants are no longer in existence following the agreement of the new loan after the year end. The bank have confirmed that as the loan has been replaced with a new facility, there will be no further action in respect of the breach at the year end.

The Directors are satisfied that the Group's forecasts and projections, which take account of the anticipated cost of living impact on the Estate. This has been reflected in the budgets with decrease percentage built in on trade and rental income. The forecasts indicate that the Group will be able to operate within its new covenants and facilities. The current trading performance of the Group also shows that it will be able to operate within the level of its facilities and covenant testing for the 12 months from the date of these financial statements. With value in the Estate being realised over time and with the support from the bank there are no material uncertainties in relation to going concern. For this reason, the Group continues to adopt the going concern basis in preparing its financial statements.

Principal risks and uncertainties

The Group is exposed to a variety of financial, operational, economic, and regulatory risks and uncertainties. The Group has risk management processes in place which are designed to identify and evaluate these risks and uncertainties based on the probability of them occurring and the impact they may have on the business. The Board has overall responsibility for ensuring that there is a robust assessment of the principal risks facing the Group and they are aware that these risks and uncertainties may, either singularly or, collectively, affect the Group's revenue. Some risks may not be known at present or may be currently immaterial but could develop into material risks in the future. The risk management processes are therefore designed to manage the risks which may have a material impact on our ability to meet our corporate objectives, rather than fully obviate all risks.

Strategic report

Strategic report (continued)

Principal risks and uncertainties (continued)

Operations

We rely on a number of key suppliers to provide our Tenanted Estate with tied products. Supply disruption could affect customer satisfaction, leading to a reduction in our revenue. The contracts for our wet trade are sourced from a number of suppliers and formal contracts are in place. The products and variety across the Estate for our Tenants to choose from are regularly evaluated with our suppliers to enable us able to give the best choice to our Tenants across the Estate in order to maximise revenue from this income stream.

As a Tenanted Pub Operation Estate, we rely on attracting and retaining the best Tenants for our pubs in order to maximise the potential of each of our pubs. Not attracting the right Tenants has a direct impact on the running of the relevant pub and reduces the revenue received and in turn may reduce profits. In order to minimise the risk, the Trade Director works closely with the Tenanted Operation Managers and carefully monitors the candidates who come forward for our Tenanted vacancies.

Fluctuations in market values of property

The UK property market continues to fluctuate and the rapid rise in interest rates in the last twelve months has seen it have an effect on the general housing market. Any variations in valuations due to market conditions could reduce the value of the Group's property portfolio over time. These economic factors could also lead to a reduction in the value realised by the Group on the disposal of pubs and have an impact on the amount of property held as security for the loan facility. However, as the Group's strategy is to retain its better performing and more profitable pubs over the longer term, any such risk would be mitigated accordingly.

The Group continues to realise appropriate returns from disposals by disposing of less sustainable or less profitable pubs where appropriate. The Group carries out an impairment review on an individual pub basis at each financial reporting date. In this financial year an impairment totalling £150,000 has been identified. (2022: no impairments). The Group carries out regular reviews of the property portfolio and is in regular contact with its debt provider. As the Group operates a Tenanted and Leased Estate the Trade Director and the Tenanted Operations Managers actively work with our Tenants and Leaseholders on a monthly basis to assess what, if any, impact may occur due to changing economic conditions and consumer trends. The types of pubs and the way in which people visit pubs continues to change for the industry as a whole and being able to work closely with our Tenants in this way provides us with the ability to minimise any negative impact to the estate and the Group's revenue, while still being able to maintain and support the Estate.

General economic conditions

The Directors review the material or emerging risks on an ongoing basis. Current risks to the business and our Tenants are the ongoing cost of living crisis. While inflation has decreased, food costs remain high and energy costs remain unpredictable with the added pressure for all Tenants to find and retain staff the year ahead continues to be of concern and will be closely monitored. We continue to see a small impact on some our more wet led Tenancies with lower wet sales and footfall being lower in these pubs it increases the risk of Tenants resigning. As the Group operates a Tenanted and Leased Estate the full impact of these difficulties will not be seen. However, the forecasts prepared for the coming year have taken all of these factors into account. Other main risks and how we manage them are shown below, although this is not an exhaustive list of all the risks which we may face.

Strategic report

Strategic report (continued)

Principal risks and uncertainties (continued)

Licensing

The Group is committed to ensuring that properties meet all required licensing and other property regulatory requirements. Failure of our Tenants to comply with licensing requirements could result in licenses being revoked which would have a direct impact on the Tenants' ability to trade. This is closely monitored by our Tenanted team overseen by the Trade Director to ensure compliance with licensing and trading regulations. The Group works closely with appropriate local Licensing Authorities to ensure that all licensing requirements are met, and any changes are closely monitored.

Section 172 statement

In accordance with S172 of the Companies Act 2006, the Board has a duty to promote the success of the Group for the benefit of its members as a whole. Details of the Group's key stakeholders and how we engage with them are set out below. In governing and directing the business the Board considers the interests of all of its members as well as its employees, suppliers, and customers in order to develop and maintain its Tenanted Estate for the long term.

Key decisions

At the end of the last financial year the Board gave the green light to The Ley Arms capital project which has progressed through this financial year with costs to the Company at the financial year end totalling over £1m. It is now almost complete with rooms being up and open for business in early 2024 the Tenants have been involved at each stage of the project resulting in a stylish timber frame seven bedroom country style B&B offering with a small local produce shop with a food and coffee capacity.

The Board has continued to progress its programme of property disposals with 7 property sales in the financial year and another completed in January 2024. The Board has remarketed the Locomotive site as unconditional for sale and this has produced renewed interest.

The Board has looked closely this year at repairs issues within the Estate and many projects have been given the go ahead in the year, catching up from a restriction on repairs during the pandemic in order to preserve cash. One of the larger repair projects was an overdue roofing and structural issue at the Horse and Groom which has contributed to the large spend in the year on repairs, with the total repair and small capital element on this project costing over £250,000 in the year. The Board also gave the go ahead for two small refurbishment projects. One at the Market Gate Inn which had a conversion of the old flat to customer toilets and a garage converted extended to maximise the outside trading area. The second being the Beach in Exmouth has seen the old function room upgraded which extends the pub trading area to increase the trading capacity of the pub for both restaurant and general wet trade. The Trade Director and Tenanted Operations Manager liaise with the Tenants throughout each project undertaken within the Estate.

When determining the level of dividend each year, the Board considers the ability of the Group to generate cash, the level of distributable reserves and the level of reserves required to invest in the business to ensure the policy can continue on a long-term basis. Having considered all of these factors the Board took the decision to agree a final dividend of 3.5p per share based on the financial year results to 31 October 2023.

Strategic report

Strategic report (continued)

Section 172 statement (continued)

Customers

The cost-of-living and energy crisis has affected the Estate as a whole especially in food inflation and the continued problem of staff retention. We have continued to help and support the Tenants, which includes regular newsletters and direct contact with their Tenanted Operation Managers. The feedback that we continue to get from the Tenants enables the Board to target any help needed across the Estate, which has in turn led to keeping a positive and strong relationship with our Tenants and has meant that we have had very few vacancies during the year.

During normal trading the Board considers, on a monthly basis in Board meetings, any further support it can offer our Tenants, for example we have continued the winter discount voucher scheme. The Tenants also have access to industry support through the Company's corporate BII membership.

The Board continues to concentrate fully on its business model of running and developing its Tenanted Estate. In order to achieve the full potential of the Estate, the Board constantly strives to build strong and lasting relationships with the Tenants, as the Board believes that attracting and retaining the best Tenants will maximise the full potential of our pubs. We actively engage with our Tenants on a daily basis along with monthly visits by our Tenanted Operation Managers and the Trade Director. We use these visits and the contact that we have with Tenants to make informed decisions to maximise the trade the Tenants can achieve for the business.

Employees

The Board is committed to providing a working environment that promotes employee wellbeing and safety, whilst facilitating their performance. The Board is committed to training and incentivising its staff. Various training schemes are offered along with different incentive plans including a private healthcare scheme and a share incentive scheme plan, to maximise potential and maintain good practice. It is important to the Board that the company as a whole works as a team and finding the right people to enhance the team is a major factor in the recruitment process. The Board is kept up to date with all employee matters on a regular basis through the management team.

Suppliers

We build strong relationships with our suppliers to develop mutually beneficial and lasting partnerships so that we may get the best deals in order to supply the Tenanted Estate and maximise business potential, this has been especially important this year with rising costs across the industry and has enabled the Board to keep any increases on wet products to a minimum. The Board actively promotes the use of local business where possible. Engagement with suppliers is primarily through a series of interactions and formal reviews. The Board agrees multi-year contracts with its wet trade suppliers. The Board recognises that relationships with suppliers are important and is briefed on suppliers' issues and feedback on a regular basis. The regular feedback from our Tenants through the monthly meetings with their Tenanted Operation Managers assists with this process.

Strategic report

Strategic report (continued)

Section 172 statement (continued)

Shareholders

We recognise the importance of our shareholders, and their opinions are important to us. We engage with our shareholders openly and any change in the business or any important updates are sent to all our shareholders as well as being published on our website along with stock exchange announcements. The Company responds to shareholder letters and queries individually. Shareholder feedback along with details of movements in our shareholder base are regularly reported to and discussed by the Board and their views are considered as part of our decision making. Our shareholders are also encouraged to attend the Annual General Meeting, where all shareholders are given the opportunity to ask questions and raise any issues.

Communities

We engage with the communities in which we operate and look to understand the local issues that are important to them. We provide financial support to the Heavitree Brewery Charitable Trust which in turn aims to support local causes £6k was donated in the financial year. The Board is committed to the responsible retailing of alcohol to and by our Tenants and ensures that any feedback or issues from the communities are dealt with effectively and appropriately.

Government and regulators

We engage with Government and regulators through a range of industry consultations. The Group is registered with the pub sector England and Wales Tenanted Code of Practice, along with the BBPA and corporate membership to the BII, which allows our Tenants to have free access to newsletters and direct industry support.

Because of these memberships, we have continued through this year to receive industry updates quickly and efficiently which has enabled us to inform our Tenants on a regular basis regarding changes or updates from the Government on the pandemic.

The Board is updated monthly through its Board meetings on legal and regulatory developments and takes these into account when considering future actions.

By Order of the Board

N J McLean
Secretary
19 February 2024

Directors' report

The Directors have pleasure in submitting their report for the year ended 31 October 2023.

Results and dividends

The profit for the year, after taxation, attributable to shareholders amounts to £1,499,000 (2022: £1,967,000). The total comprehensive income for the year is £1,504,000 (2022: £1,968,000).

The Directors recommend a final dividend of 3.5p (2022: 3.5p) on the Ordinary and 'A' Limited Voting Ordinary Shares. An interim dividend of 2p was paid (2022: no dividend paid). The fixed dividend of 11.5p per share was paid on the preference shares in the year (2022: 11.5p).

Financial Instruments

As at 31 October 2023 the Group's total bank borrowings were £2,065,000 (2022: £2,315,000).

The Directors continue to monitor and, where appropriate, take necessary action to minimise the Group's risk to interest rate exposure and to ensure sufficient working capital exists for the Group to operate efficiently. Debt is kept at a manageable level, with gearing no higher than necessary. The Board revises its investment strategy where needed in order to maintain its cash position.

For further details of the Group's policy on financial instruments and management of financial risk, please refer to note 23.

The Group's capital management strategy is to maintain gearing as low as possible while still ensuring that borrowing requirements are sufficient to service its needs and allow it to invest in its houses at an appropriate level.

When monitoring gearing, the Group uses the Directors' valuation as the basis of its asset value.

Information on borrowings and strategies surrounding managing interest rate risk, liquidity risk, capital risk and credit risk can also be found in note 23.

Future developments

The Group continues to concentrate fully on the running and development of its Tenanted and Leased Estate with the intention of maximising the full potential of its houses. This may include development for alternative use where appropriate and the continuation of debt reduction.

At the end of this Financial Year the Board renewed the Company's banking facilities for a further five years taking effect from November 2023. This includes a renewal of the £3m overdraft facility and a reduced interest rate on the Term Loan along with a change in the debt service covenant to an EBITDA covenant only.

Further information in relation to the business activities, together with the factors likely to affect its future development, performance and position is set out in the Chairman's Statement on pages 5-7.

Directors

The Directors of the Company during the year ended 31 October 2023 were those listed on page 2.

G J Crocker and K Pease-Watkin are the Directors retiring by rotation under Article 14 and, being eligible, offer themselves for re-election.

Directors' report

Directors' interests

The interests of the Directors and their spouses in the Company's shares as at 31 October 2023 were as follows:

	<i>Ordinary Shares</i>		<i>'A' Limited Voting Ordinary Shares</i>	
	<i>31 October 2023</i>	<i>31 October 2022</i>	<i>31 October 2023</i>	<i>31 October 2022</i>
N H P Tucker	742,215	742,215	79,385	79,385
G J Crocker	-	-	75,213	64,781
T P Duncan	150,335	150,335	196,992	196,992
K Pease-Watkin	27,088	27,088	50,638	50,638
T Wheatley	-	-	86,263	77,483
C J Bush	-	-	2,223	2,223

All these interests are beneficial, save for the following non-beneficial interests:

(a) N H P Tucker's interest in 53,750 (2022: 53,750) Ordinary Shares.

Included in these interests are the following joint holdings:

(a) 53,750 (2022: 53,750) Ordinary Shares held jointly by W P Tucker and N H P Tucker.

Service contracts exist for each of the Executive Directors and contain a three-year notice period. Non-Executive Directors are appointed by letter for a fixed term of three years.

Substantial interests

At 31 October 2023 the following interests of shareholders in excess of 3% of each class of ordinary share capital, other than Directors, had been notified to the Company:

	<i>Ordinary</i>		<i>'A'-Limited Voting Ordinary</i>	
		<i>Ordinary %</i>		<i>'A' Limited Voting Ordinary %</i>
P A Benett	135,380	7.33%	270,740	8.50%
R A Duncan	-	-	101,369	3.18%
R H Duncan	151,643	8.22%	177,611	5.58%
J E M Duncan	133,545	7.23%	186,637	5.86%
S T Tucker	-	-	109,000	3.42%
Mrs T C Yule	78,010	4.22%	178,205	5.59%
Mrs T D Tucker	125,840	6.80%	-	-
Mr D Barry	84,108	4.55%	136,684	4.29%

Directors' report

Corporate governance

The Board of The Heavitree Brewery PLC (“Heavitree”) is collectively accountable to the Company’s shareholders for good corporate governance. Accordingly, the Board has adopted the Quoted Companies Alliance (QCA) Corporate Governance Code (Code). The information below and the statement on our website set out in broad terms how we comply with the Code. We provide annual updates about our compliance with the Code, any updates are uploaded to our website and dated accordingly. The Board is responsible for ensuring that Heavitree is managed for the long-term benefit of all shareholders, through effective and efficient decision-making. Corporate governance is an important part of the Board’s role by providing oversight and control to manage risk and build long-term value.

At Heavitree, the Board has adopted the principles of the 2018 QCA Code to support the Company’s governance framework this is updated each year for any changes. A full version of this can be found on our website. A new QCA Code which came into effect in 2023 will be adopted in the financial year 2025. The Directors acknowledge the importance of the ten principles set out in the QCA Code and the statement in full on our website sets out how we currently comply with the provisions of the QCA Code and the reasons for any departures from it.

A full copy of the QCA Code is available from the QCA’s website: www.theqca.com.

Board of Directors

At 31 October 2023, the Board consisted of an Executive Chairman, two Executive Directors and three Non-Executive Directors. The Directors will continue to re-consider the structure of the Board and believe the current structure remains appropriate. The contribution of Directors in terms of relevance and effectiveness of each one is subject to evaluation, overseen by the Executive Chairman along with their commitment and attendance at Board meetings, effectiveness is evaluated at each Board meeting along with yearly appraisals which include skills assessments. Since October 2019 the company has in place a formalised framework for Director review which is overseen by the Independent Non-Executive Director.

N H P Tucker is the Executive Chairman; G J Crocker is the Managing Director and is also responsible for the finance function; T Wheatley is the Trade Director and is responsible for the Group’s Tenanted Estate. T P Duncan and K Pease-Watkin are Non-Executive Directors, C J Bush is an Independent Non-Executive and an ICAEW qualified professional. He has no family connection to any of the other Directors and holds a nominal shareholding only. He is responsible for Board members appraisals which are completed each financial year along with an independent overview of the Audit. The Board is satisfied it has an effective and appropriate balance of skills and experience of Financial, Hospitality Trade, and General industry knowledge to give it the ability to constructively challenge strategy and scrutinise performance. Independent advice is sought where needed, the Board maintains its access to professional advisors and is able to take independent advice in the performance of their duties, at the Company’s expense. No advice was sought in the year.

The business and management of the Group is the collective responsibility of the Board. At each meeting the Board considers and reviews the Group’s financial and trading performance. It has a formal written schedule of matters reserved for its review and approval. The Board meets every month with additional meetings arranged as required. Formal agendas and reports are provided to the Board on a timely basis, along with other information to enable it to discharge its duties. For more information, please see principal risks and uncertainties on page 10.

Directors' report

Corporate governance (*continued*)

Audit Committee

Given the size of the Group, the Board does not consider it appropriate to have a separate audit committee, however an independent Non-Executive Director is in place and part of his role is audit oversight and Board member reviews. The Board considers matters relating to the reporting of results, financial controls, and the cost and effectiveness of the audit process at the monthly board meetings and meets at least once a year with the auditors in attendance.

The Board is satisfied that the Group's auditors, PKF Francis Clark, have been objective and independent of the Group. The Group's auditors performed non-audit services for the Group as outlined in Note 7, but the Board is satisfied that their objectivity and independence were not impaired by such work.

Remuneration Committee

Given the size of the Group, the Board does not consider it appropriate to have a separate remuneration committee. The Board considers and determines the remuneration of the Executive and Non-Executive Directors. No Director is involved in setting his or her own remuneration.

Details of Directors' Remuneration can be found in Note 9 to the financial statements.

Summary of Directors' Attendance within the financial year

	Board Meetings	
	Entitled to attend	Attended
N H P Tucker	11	11
G J Crocker	11	10
T Wheatley	11	10
T P Duncan	11	10
K Pease-Watkin	11	10
C J Bush	11	11

Shareholder Communication

The Company believes in good communication with shareholders and encourages shareholders to attend its Annual General Meeting, any important updates are sent to all our shareholders as well as being published on our website along with stock exchange announcements. The Company responds to shareholder letters and queries individually.

Internal Financial Control

The Board is responsible for ensuring that the Group maintains a system of internal financial controls. The objective of the system is to safeguard Group assets, ensure proper accounting records are maintained and that the financial information used within the business and for publication is timely and reliable. Any such system can only provide reasonable, but not absolute, assurance against material loss or misstatement. Financial information is presented and reviewed at each Board meeting, on a day to day basis controls are in place to ensure no payments or financial transactions can take place without two signatures and one being an Executive Director. Each process within the finance and operations department are done and then verified by another, individual levels of authority and signatures are set up for all transactions within the Company from orders through to payments, the Board is satisfied it has robust structures in place.

Directors' report

Corporate governance (*continued*)

Given the size of the Group, the Board does not consider it appropriate to have its own internal audit function. However external auditors meet with the Managing Director, Company Secretary, and independent Non-Executive Director in advance of the audit and provide a comprehensive strategy document that is then distributed to the Board and reviewed at the next Board meeting. In addition, a detailed audit completion report is presented by the external auditors to the full Board. All documents are reviewed by the whole of the Board, and nothing is signed off until agreed by both Executive and Non-executive Director's.

The Board is satisfied that the Group's Auditors are objective and independent of the Group, an independent audit report is shown within the yearly financial statements.

All the day to day operational decisions are taken initially by the Executive Directors, in accordance with the Group's strategy. The Executive Directors are also responsible for initiating commercial transactions and approving payments, save for those relating to their own employment.

The key internal controls include specific levels of delegated authority and the segregation of duties; the review of pertinent commercial, financial, and other information by the Board on a regular basis; the prior approval of all significant strategic decisions; and maintaining a formal strategy for business activities.

The Group is committed to the highest standards of corporate social responsibility in its activities these areas are looked at within Board and Management meetings. Our Head office site actively recycles all paper produced is recycled through a shred it scheme, Company vehicles where it is possible are electric or hybrid models and the site contains electric charging points. All of our staff are encouraged in training and an inclusive culture is promoted within the Head Office environment and any recruitment is carried out on this basis.

On a Group level within the community, we provide financial support to the Heavitree Brewery Charitable Trust which in turn aims to support local causes. The Board is committed to the responsible retailing of alcohol to and by our Tenants and ensures that any feedback or issues from the communities are dealt with effectively and appropriately. Tenants actively look to support their local communities where they can and encourage the pub to be the local hub of the community. Our Tenants and our contractors are actively encouraged to use energy efficient materials and practices wherever possible

The Group is committed to the care of the environment and encourages its contractors and Tenants to use energy efficient materials and practices wherever possible. The Board is committed to promoting a healthy corporate culture. The Group actively works with its Tenants and Leaseholders holding monthly meetings with them conducted by our Tenanted Operations Managers and reviewed and overseen by the Trade Director.

The Group is committed to training and incentivising its staff, various training schemes are offered along with different incentives plans including a Group share incentive plan to help staff attain maximum potential and maintain good practice.

The Group is committed to the highest standards of corporate social responsibility in its activities. The Group falls below the threshold to report in accordance with the Modern Slavery Act 2015 and antibribery and corruption regulations, however these areas are looked at within Board and Management meetings.

Directors' report

Directors' statement as to disclosure of information to auditor

The Directors who were members of the Board at the time of approving the Directors' report are listed on page 2. Having made enquiries of fellow Directors and of the Company's auditor, each of these Directors confirms that:

- to the best of each Director's knowledge and belief, there is no information relevant to the preparation of their report of which the Company's auditor is unaware; and
- each Director has taken all the steps a Director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

A resolution to re-appoint PKF Francis Clark as the Company's auditor will be put to the forthcoming Annual General Meeting.

By Order of the Board

N J McLean
Secretary
19 February 2024

Ten year review of profits and dividends

<i>Year ended 31 October</i>	<i>Operating profit/(loss) £000</i>	<i>Profit before tax £000</i>	<i>Earnings per 5p share p</i>	<i>Dividends per 5p share p</i>
2014	1,404	1,642	28.0	7.35
2015	1,412	1,173	18.8	7.35
2016	1,420	1,653	28.0	7.425
2017	1,778	1,554	27.0	7.675
2018	1,632	2,251	39.6	7.925
2019	1,839	1,844	32.0	7.925
2020	539	414	2.4	-
2021	(59)	1,114	16.6	-
2022	1,422	2,273	40.7	3.5
2023	1,042	1,826	31.0	5.5

Notes:

- Dividends per 5p share for all years include interim dividends and dividends proposed or subsequently declared in respect of the profits of each year.
- The earnings per share figures are both basic and diluted.

Statement of Directors' responsibilities in respect of the financial statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations. Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group and Company financial statements in accordance with UK-Adopted International Accounting Standards. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of affairs of the Group and the Company and of the profit or loss of the Group and Company for that period. In preparing these financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently
- Make judgements and accounting estimates that are reasonable and prudent
- State whether applicable UK-Adopted International Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and Group will continue in business

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's and the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the Financial Statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website.

Independent auditor's report

To the members of The Heavitree Brewery PLC

Opinion

We have audited the financial statements of The Heavitree Brewery PLC and its subsidiaries for the year ended 31 October 2023, which comprise the Group income statement, the Group statement of comprehensive income, the Group and Parent Company balance sheet, the Group and Parent Company statement of changes in equity, the Group and Parent Company statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and in accordance with UK adopted International Accounting Standards (UK-adopted IAS).

In our opinion:

- The financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 October 2023 and of the Group's profit for the year then ended;
- The Group and Parent Company financial statements have been properly prepared in accordance with UK-adopted IAS and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

An overview of the scope of our audit

We planned and performed our audit by obtaining an understanding of the Group and its environment, including the accounting processes and controls, and the industry in which it operates. The Group comprises one trading entity, a dormant subsidiary in the UK and a dormant subsidiary in the US. Accordingly, our audit work is focussed on the trading entity, The Heavitree Brewery PLC, and the detailed scope in relation to the key audit matters is explained above.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent auditor's report

To the members of The Heavitree Brewery PLC

Risk: impairment of property

As detailed in the accounting policies and note 14, the Group has a portfolio of trading properties with a net book value of £15.8m (2022: £15.6m) and investment properties with a net book value of £2.2m (2022: £1.2m). Given the age of the portfolio and the Group's policy of holding assets at depreciated historical cost, many of the individual property carrying values are low. Accordingly, the risk of a material impairment in a proportion of the estate is significantly mitigated. Notwithstanding this, given the size and value of the portfolio, the nature of the industry and the depressed consumer confidence and discretionary spend as a result of the continued cost of living crisis in the United Kingdom, a key audit risk is the Group's assessment of whether there is any impairment to the carrying value of the properties.

Our work focussed on management's assessment of the need for any impairment on an individual property basis. We paid particular attention to any closed houses and empty properties in the year, being a potential indicator of impairment. We reviewed and challenged the assumptions used by management in making their assessment, as well as comparing their consideration of market value to relevant local market data and post year end sales values realised.

We also performed our own value in use calculation for all properties, setting expectations for future cash flows by reference to both rental income and wet sales contribution. We made prudent assumptions in relation to moderate growth rate and the discount rates and assessed the sensitivity of the calculation to these rates. Where our work highlighted any properties with a value in use lower than carrying value, we challenged management's assertions and sought to understand and corroborate assumptions such as alternate uses for those properties.

As a result of the procedures performed, we are satisfied with the Group's assessment that there is no impairment to the carrying value of the properties.

Risk: revenue recognition

The Group's primary revenue streams are outlined in the accounting policies and note 3. The Group derives most of its revenue from sales of alcoholic and non-alcoholic beverages to, and rent receivable from, licenced premises. Sales are routine and little judgement is applied. Based on our understanding of the business and the environment in which it operates, we identified completeness and cut-off as significant audit risks for these revenue streams. We also considered other industry relevant areas of potential misstatement such as volume rebates and lease incentives.

Our work on completeness and cut-off included substantive analytical procedures on the main revenue streams, a review of post year end credit notes and the use of data analytics software to match all wet purchases to the resulting wet sale. In addition, we performed tests of detail on a sample of transactions, including those around the year end to test cut off. We also reviewed the expected level of volume rebates and concluded these are not material to the financial statements.

In respect of the rent incentives granted to tenants, we reviewed a sample of agreements and recalculated the amount of total expected rent due over the remaining lease term and considered whether this had been appropriately recognised on a straight line basis.

As a result of the procedures performed, we are satisfied that revenue has been appropriately recorded.

Independent auditor's report

To the members of The Heavitree Brewery PLC

Our application of materiality

Misstatements, including omissions, are considered to be material if individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. Materiality is applied in planning the scope of our audit, determining the nature, timing and extent of our audit procedures and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall materiality group and company: £209k

Performance materiality: £156k

Misstatements considered above triviality: £10k

Basis for determination

The basis of determination is reviewed each year taking into account current market conditions and levels set across similar companies in the industry. We also consider whether there are any additional risk factors.

The Group holds a significant amount of properties in order to carry out their trade. The assessment of impairment of these properties is a key judgement within the financial statements and a key risk area (as discussed above). As a result, we have considered it appropriate to base materiality on gross assets and have applied a materiality level of 1% of the gross assets.

Materiality using adjusted profit before tax is considered a more appropriate basis to assess the licenced trade of the business. Additional procedures have been performed in key risk areas and where considered appropriate on trading balances and transactions using testing thresholds set based on 5% of profit before tax (adjusted for property disposals) at £44k.

During the course of the audit, we reassessed initial materiality but did not consider any changes to materiality necessary based on the final results.

Independent auditor's report

To the members of The Heavitree Brewery PLC

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our work centred on management's assessment of going concern, which is detailed in note 2 to the financial statements. In particular we:

- obtained management's cash flow forecasts supporting the Group's ability to trade within current banking facilities for a period of at least twelve months from the date of approval of the financial statements. We critically challenged the assumptions used in their preparation and considered the timing of planned non-core asset sales;
- reviewed the outcome of prior year forecasts to assess management's forecasting accuracy;
- reviewed correspondence with the Group's bankers confirming the Group's banking facilities;
- considered the level of headroom in bank facilities based on management's cash flow forecasts and the impact of changing assumptions, particularly around timing of planned non-core asset sales; and
- reviewed the adequacy of the related disclosures in the financial statements.

As disclosed in the financial statements, it was identified that the debt service financial covenant relating to the bank term loan was breached as at 31 October 2023. This breach has caused the bank debt to be shown as due within one year in the group and company balance sheets. The facility has been renegotiated since the year end and the debt service covenant has been changed from a cashflow basis to an EBITDA basis. We therefore reviewed the new covenants and examined likely covenant calculations using forecasted figures to consider whether there are indications of possible breaches in the new covenants during the forecast period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group or Company's ability to continue as a going concern for a period of at least twelve months from when the original financial statements were authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Independent auditor's report

To the members of The Heavitree Brewery PLC

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 21, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or Parent Company or to cease operations, or have no realistic alternative but to do so.

Independent auditor's report

To the members of The Heavitree Brewery PLC

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We obtained an understanding of the legal and regulatory framework that is applicable to the Group and the industry in which it operates. We identified the principal risks of non-compliance with laws and regulations as relating to breaches around the Licensing Act 2003 (Amended 2007), Tenant and Landlord Act 1985 and health and safety regulations. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as financial reporting legislation (including the Companies Act 2006) and taxation legislation. We considered the extent to which any non-compliance with these laws and regulations may have a negative impact on the group's ability to continue trading and the risk of a material misstatement in the financial statements.

We discussed with management how the compliance with these laws and regulations is monitored. We also identified the individuals who have responsibility for ensuring that the group complies with laws and regulations and deal with reporting any issues if they arise.

We also evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements and determined that the principal risks were related to the overstatement of profit, either through incorrect revenue recognition, understating expenditure or management bias in accounting estimates and judgements (in particular around property impairments) included in the financial statements.

Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved the following:

- Revenue recognition was assessed as a key audit matter and our work in respect of this is discussed above under key audit matters.
- We made enquiries of management regarding their knowledge of any non compliance or potential non-compliance with laws and regulations that could affect the financial statements. As part of these enquiries we also discussed with management whether there have been any known instances of fraud.
- We identified the individuals with responsibility for ensuring compliance with laws and regulations and discussed with them policies and procedures in place.
- We reviewed processes around compliance with the Licensing Act 2003 (Amended 2007) and Tenant and Landlord Act and discussed with those responsible for compliance whether there had been any breaches during the year.

Independent auditor's report

To the members of The Heavitree Brewery PLC

- We discussed health and safety with those responsible for compliance and enquired as to whether there had been any reportable incidents during the year.

Auditor's responsibilities for the audit of the financial statements (continued)

- We reviewed minutes of meetings of Senior Management and those charged with governance.
- We audited the risk of management override of controls, including testing journal entries and other adjustments for appropriateness, and evaluating the business rationale of significant transactions outside the normal course of business.
- We challenged assumptions and judgements made in the accounts by management.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements. This risk increases the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements as we are less likely to become aware of instances of non-compliance. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment, collusion, omission or misrepresentation.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Company's shareholders, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's shareholders those matters we are required to state in an audit report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Nicholas Farrant BA MSc FCA (Senior Statutory Auditor)

For and on behalf of

PKF Francis Clark

Statutory Auditor

Centenary House

Peninsula Park

Rydon Lane

Exeter

EX2 7XE

19 February 2024

Group income statement

For the year ended 31 October 2023

	<i>Notes</i>	<i>Total 2023 £'000</i>	<i>Total 2022 £'000</i>
Revenue	3	7,346	7,280
Change in stocks		-	-
Other operating income	5	215	211
Purchase of inventories		(2,991)	(2,980)
Staff costs	9	(1,483)	(1,477)
Depreciation of property, plant and equipment		(236)	(228)
Other operating charges		(1,809)	(1,384)
		<u>(6,304)</u>	<u>(5,858)</u>
Group operating profit	6	1,042	1,422
Profit on sale of property, plant and equipment	8	1,065	968
Impairment of fixed assets	14	(150)	-
		<u>1,957</u>	<u>2,390</u>
Group profit before finance costs and taxation			
Finance costs	10	(131)	(117)
		<u>(131)</u>	<u>(117)</u>
Profit before taxation		1,826	2,273
Tax expense	11a	(327)	(306)
Profit for the year attributable to equity holders of the parent		<u>1,499</u>	<u>1,967</u>
Basic earnings per share	12	<u>31.0p</u>	<u>40.7p</u>
Diluted earnings per share	12	<u>31.0p</u>	<u>40.7p</u>

Group statement of comprehensive income

for the year ended 31 October 2023

	<i>Notes</i>	<i>2023</i> £'000	<i>2022</i> £'000
<i>Profit for the year</i>		1,499	1,967
<hr/>			
<i>Items that will not be reclassified to profit or loss</i>			
Fair value adjustment on investment in equity	25	-	-
<hr/>			
<i>Items that may be reclassified to profit or loss</i>			
Exchange rate differences on translation of subsidiary undertaking		5	1
<hr/>			
		5	1
<i>Other comprehensive income for the year, net of tax</i>		1,504	1,968
<hr/>			
<i>Total comprehensive income attributable to:</i>			
Equity holders of the parent		1,504	1,968
<hr/>			

Group balance sheet

at 31 October 2023

	<i>Notes</i>	2023 £'000	<i>Restated</i> 2022 £'000
Non-current assets			
Property, plant and equipment	14	16,891	16,593
Investment property	14	2,255	1,211
Right of use asset	14b	77	60
		19,223	17,864
Financial assets	16	469	362
Deferred tax asset	11c	16	16
		19,708	18,242
Current assets			
Inventories	17	10	10
Trade and other receivables	18	1,170	1,303
Cash and cash equivalents	19	373	788
		1,553	2,101
Assets held for sale	15	70	180
		21,331	20,523
Total assets			
Current liabilities			
Trade and other payables	20	(1,005)	(1,133)
Financial liabilities	21	(2,101)	(229)
Income tax payable	11a	(263)	(339)
		(3,369)	(1,701)
Non-current liabilities			
Other payables	20	(338)	(326)
Financial liabilities	21	(97)	(2,195)
Deferred tax liabilities	11c	(852)	(784)
Defined benefit pension plan deficit	26	(92)	(92)
		(1,379)	(3,397)
		(4,748)	(5,098)
Total liabilities			
		16,583	15,425
Net assets			
		16,583	15,425

Group balance sheet

at 31 October 2023

	<i>Notes</i>	<i>2023</i> £'000	<i>2022</i> £'000
<i>Capital and reserves</i>			
Equity share capital	25	251	264
Capital redemption reserve	25	686	673
Own share reserve	25	(1,041)	(1,537)
Fair value adjustments reserve	25	10	10
Currency translation	25	19	14
Retained earnings	25	16,658	16,001
<i>Total equity</i>		16,583	15,425

The notes on pages 42 to 78 form part of the financial statements.

These accounts were approved by the Board of Directors and authorised for issue on 19 February 2024 and were signed on its behalf by

N H P TUCKER)
G J CROCKER) Directors

Group statement of changes in equity

for the year ended 31 October 2023

	<i>Equity share capital £'000</i>	<i>Capital redemption reserve £'000</i>	<i>Own share reserve £'000</i>	<i>Fair value adjustment reserve £'000</i>	<i>Currency translation £'000</i>	<i>Retained earnings £'000</i>	<i>Total equity £'000</i>
At 1 November 2021	264	673	(1,529)	10	13	14,034	13,465
Profit for the year	-	-	-	-	-	1,967	1,967
Other comprehensive income for the year, net of income tax	-	-	-	-	1	-	1
Total comprehensive income for the year	-	-	-	-	1	1,967	1,968
Consideration received by EBT on sale of shares	-	-	42	-	-	-	42
Consideration paid by EBT on purchase of shares	-	-	(50)	-	-	-	(50)
At 31 October 2022	264	673	(1,537)	10	14	16,001	15,425

Group statement of changes in equity

for the year ended 31 October 2023

	<i>Equity share capital</i> £'000	<i>Capital redemption reserve</i> £'000	<i>Own Share Reserve</i> £'000	<i>Fair value adjustment reserve</i> £'000	<i>Currency translation</i> £'000	<i>Retained earnings</i> £'000	<i>Total equity</i> £'000
At 1 November 2022	264	673	(1,537)	10	14	16,001	15,425
Profit for the year	-	-	-	-	-	1,499	1,499
Other comprehensive income for the year, net of income tax	-	-	-	-	5	-	5
Total comprehensive income for the year	-	-	-	-	5	1,499	1,504
Consideration received by EBT on sale of shares	-	-	61	-	-	-	61
Consideration paid by EBT on purchase of shares	-	-	(140)	-	-	-	(140)
Buy back of own shares	(13)	13	575	-	-	(575)	-
Equity dividends paid	-	-	-	-	-	(267)	(267)
At 31 October 2023	251	686	(1,041)	10	19	16,658	16,583

Details of the reserves can be found in note 25.

Group statement of cash flows

For the year ended 31 October 2023

	<i>Notes</i>	<i>2023</i>	<i>2022</i>
		<i>£'000</i>	<i>£'000</i>
<i>Operating activities</i>			
Profit for the year		1,499	1,967
Tax expense		327	306
Net finance costs		132	117
Profit on disposal of non-current assets and assets held for sale		(1,065)	(968)
Impairment of property		150	-
Depreciation and impairment of property, plant and equipment		236	228
Decrease in trade and other receivables		133	264
(Decrease)/increase in trade and other payables		(130)	157
		<hr/>	<hr/>
Cash generated from operations		1,282	2,071
Income taxes paid		(335)	(24)
Interest paid		(166)	(117)
		<hr/>	<hr/>
<i>Net cash inflow from operating activities</i>		781	1,930
		<hr/>	<hr/>
<i>Investing activities</i>			
Proceeds from sale of property, plant and equipment and assets held for sale		1,202	2,038
Payments to acquire property, plant and equipment		(1,774)	(425)
		<hr/>	<hr/>
<i>Net cash(outflow)/inflow from investing activities</i>		(572)	1,613
		<hr/>	<hr/>
<i>Financing activities</i>			
Preference dividend paid		(1)	(1)
Equity dividends paid	13	(267)	-
Consideration received by EBT on sale of shares		61	42
Consideration paid by EBT on purchase of shares		(140)	(50)
Capital element of lease rental payments		(76)	(34)
Loan repayment		(252)	(1,998)
Mortgage receipts received		51	41
		<hr/>	<hr/>
<i>Net cash outflow from financing activities</i>		(624)	(2,000)
		<hr/>	<hr/>
<i>(Decrease)/Increase in cash and cash equivalents</i>		(415)	1,543
Cash and cash equivalents at the beginning of the year	19	788	(755)
		<hr/>	<hr/>
<i>Cash and cash equivalents at the year end</i>	19	373	788
		<hr/> <hr/>	<hr/> <hr/>

Company balance sheet

at 31 October 2023

	<i>Notes</i>	<i>2023</i> £'000	<i>Restated</i> <i>2022</i> £'000
Non-current assets			
Property, plant and equipment	14	16,891	16,593
Investment property	14	2,255	1,211
Right of use asset	14b	77	60
		<hr/>	<hr/>
		19,223	17,864
Financial assets	16	503	396
Deferred tax asset	11c	16	16
		<hr/>	<hr/>
		19,742	18,276
Current assets			
Inventories	17	10	10
Trade and other receivables	18	1,165	1,303
Cash and cash equivalents	19	373	788
		<hr/>	<hr/>
		1,548	2,101
Assets held for sale	15	70	180
		<hr/>	<hr/>
Total assets		21,360	20,557
Current liabilities			
Trade and other payables	20	(1,115)	(1,255)
Financial liabilities	21	(2,101)	(229)
Income tax payable		(263)	(339)
		<hr/>	<hr/>
		(3,479)	(1,823)
Non-current liabilities			
Other payables	20	(338)	(326)
Financial liabilities	21	(97)	(2,195)
Deferred tax liabilities	11c	(852)	(784)
Defined benefit pension plan deficit	26	(92)	(92)
		<hr/>	<hr/>
		(1,379)	(3,397)
		<hr/>	<hr/>
Total liabilities		(4,858)	(5,220)
		<hr/>	<hr/>
Net assets		16,502	15,337
		<hr/> <hr/>	<hr/> <hr/>

Company balance sheet

at 31 October 2023

	<i>Notes</i>	<i>2023</i> £'000	<i>2022</i> £'000
Capital and reserves			
Equity share capital	25	251	264
Capital redemption reserve	25	686	673
Own share reserve	25	(1,041)	(1,537)
Fair value adjustments reserve	25	10	10
Cash flow hedging reserve	25	-	-
Retained earnings	25	16,596	15,927
Total equity		<u>16,502</u>	<u>15,337</u>

The notes on pages 42 to 78 form part of the financial statements.

As permitted by S408 of the Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's profit for the year was £1,511,000 (2022: £1,986,000)

These accounts were approved by the Board of Directors and authorised for issue on 19 February 2024 and were signed on its behalf by

N H P TUCKER)
G J CROCKER) Directors

Company statement of changes in equity

for the year ended 31 October 2023

	<i>Equity share capital</i>	<i>Capital redemption reserve</i>	<i>Own share reserve</i>	<i>Fair value adjustment reserve</i>	<i>Retained earnings</i>	<i>Total equity</i>
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 November 2021	264	673	(1,529)	10	13,941	13,359
Profit for the year	-	-	-	-	1,986	1,986
Other comprehensive income for the year, net of income tax	-	-	-	-	-	-
	-----	-----	-----	-----	-----	-----
Total comprehensive income for the year	-	-	-	-	1,986	1,986
	-----	-----	-----	-----	-----	-----
Consideration received by EBT on sale of shares	-	-	42	-	-	42
Consideration paid by EBT on purchase of shares	-	-	(50)	-	-	(50)
Equity dividends paid	-	-	-	-	-	-
	-----	-----	-----	-----	-----	-----
At 31 October 2022	264	673	(1,537)	10	15,927	15,337
	=====	=====	=====	=====	=====	=====

Company statement of changes in equity

for the year ended 31 October 2023

	<i>Equity share capital £'000</i>	<i>Capital redemption reserve £'000</i>	<i>Own share reserve £'000</i>	<i>Fair value adjustment reserve £'000</i>	<i>Retained earnings £'000</i>	<i>Total equity £'000</i>
At 1 November 2022	264	673	(1,537)	10	15,927	15,337
Profit for the year	-	-	-	-	1,511	1,511
Other comprehensive income for the year, net of income tax	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	1,511	1,511
Consideration received by EBT on sale of shares	-	-	61	-	-	61
Consideration paid by EBT on purchase of shares	-	-	(140)	-	-	(140)
Buy back of own shares	(13)	13	575	-	(575)	-
Equity dividends paid	-	-	-	-	(267)	(267)
At 31 October 2023	251	686	(1,041)	10	16,596	16,502

Details of the reserves can be found in note 25.

Company statement of cash flows

for the year ended 31 October 2023

	Notes	2023 £'000	2022 £'000
Operating activities			
Profit for the year		1,511	1,986
Tax expense		327	306
Net finance costs		132	117
Profit on disposal of non-current assets and assets held for sale		(1,065)	(974)
Impairment of property		150	-
Depreciation and impairment of property, plant and equipment		236	228
Decrease in trade and other receivables		133	264
(Decrease)/increase in trade and other payables		(142)	182
		<hr/>	<hr/>
Cash generated from operations		1,282	2,109
Income taxes paid		(335)	(24)
Interest paid		(166)	(117)
		<hr/>	<hr/>
Net cash inflow from operating activities		781	1,968
Investing activities			
Interest received		-	-
Proceeds from sale of property, plant and equipment and assets held for sale		1,202	2,000
Payments to acquire property, plant and equipment		(1,774)	(425)
		<hr/>	<hr/>
Net cash (outflow)/inflow from investing activities		(572)	1,575
Financing activities			
Preference dividend paid		(1)	(1)
Equity dividends paid	13	(267)	-
Consideration received by EBT on sale of shares		61	42
Consideration paid by EBT on purchase of shares		(140)	(50)
Capital element of finance lease rental payments		(76)	(34)
Loan repayments		(252)	(1,998)
Mortgage receipts received		51	41
		<hr/>	<hr/>
Net cash outflow from financing activities		(624)	(2,000)
(Decrease)/increase in cash and cash equivalents			
Cash and cash equivalents at the beginning of the year	19	(415) 788	1,543 (755)
		<hr/>	<hr/>
Cash and cash equivalents at the year end	19	373	788
		<hr/> <hr/>	<hr/> <hr/>

Notes to the financial statements

for the year ended 31 October 2023

1. Authorisation of financial statements

The financial statements of The Heavitree Brewery PLC and its subsidiaries (the “Group”) for the year ended 31 October 2023 were authorised for issue by the board of Directors on 19 February 2024. The Heavitree Brewery PLC is a public company incorporated and domiciled in England. The Company’s ordinary shares are traded on the AIM market of the London Stock Exchange.

2. Accounting policies and statement of compliance

Basis of preparation

The financial statements have been prepared in accordance with UK-Adopted International Accounting Standards as applied in accordance with the Companies Act 2006.

The financial statements have been prepared on the historical cost basis except for certain items that are measured at fair value at the end of each reporting period as explained in the accounting policies below.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 October 2023. The financial statements are presented in Sterling. All values are rounded to the nearest thousand pounds (£’000) except when otherwise indicated.

No income statement or statement of comprehensive income is prepared by the Company as permitted by Section 408 of the Companies Act 2006.

The financial statements have been prepared on a going concern basis. In determining the appropriate basis of preparation of the financial statements, the Directors are required to consider whether the Group and the Company can continue in operational existence for the foreseeable future.

Prior period reclassification

Having considered the nature of the loans/ mortgage’s receivable from Tenants and former Tenants in both the current and prior financial year, the Directors have deemed it most appropriate to show the loans due as financial assets rather than other debtors as they were presented last year and as such, the comparatives have been restated to reclassify the balances in 2022.

Notes to the financial statements

for the year ended 31 October 2023

2. Accounting policies (continued)

Going Concern

The Directors closely monitor the Group's financial resources. This included a continual review of the medium-term financial plan, along with sensitised cash flow forecasts for 12 months from the date of approval of these financial statements. We have seen some of the impact on our Tenants with the continued increase in prices for food, energy, staffing, along with the continued difficulty of retaining staff. These factors remain across the Estate and the industry as a whole. This has been taken into account when forecasting for the coming year and is included within the forecast for the period to April 2025. The forecast for capital receipts in 2024 includes sales of two non-core assets and one unlicensed property, with a budgeted estimate of £1.7m. Any further decisions on the sale of assets will be discussed in Board meetings during the year. These forecasts leave the Group with minimum headroom of over £2m on an overdraft facility of £3m. The Board will continue to review cashflows as part of its ongoing strategy.

The Board took the decision 3 years ago to accelerate the paying down of its £4.5m Term Loan by the selling of non-core assets to secure its current position and the long-term trading position of the Group. The Board originally identified up to 15 non-core assets with a value of between £5m and £7m to be realised over a period of 2 to 3 years. This has been reviewed each year with some further properties being added as the process has progressed. These include unlicensed properties and developments with permissions which are already within the Estate. This year the Group has sold 7 (2022: 8) of the non-core assets resulting in profits of £1,065,000 being realised from these sales, leaving the balance of the Term Loan at 31 October 2023 of £2,065,000.

The Board has continued to engage with the bank regarding its facilities and forward trading. After the year end the Board has negotiated a new 5 Year banking facility including the Term Loan and the £3m overdraft facility. The overdraft facility terms remain the same with no increase on interest rate over the base rate. A small reduction in interest rate on the Term Loan over base has been achieved with an adjustment in the debt service covenant which is now an EBITDA calculation only.

Covenant testing resumed from the 31 October 2022 and our year end results show that we have achieved one of our covenants but that a technical breach has been shown in the debt service cover, this covenant changes with the new bank agreement, which is now in place from November 2023. The bank are not able to issue a formal waiver of the loan as the old loan and applicable covenants are no longer in existence following the agreement of the new loan after the year end. The bank have confirmed that as the loan has been replaced with a new facility, there will be no further action in respect of the breach at the year end.

The Directors are satisfied that the Group's forecasts and projections, which take account of the anticipated cost of living impact on the Estate. This has been reflected in the budgets with decrease percentage built in on trade and rental income. The forecasts indicate that the Group will be able to operate within its new covenants and facilities. The current trading performance of the Group also shows that it will be able to operate within the level of its facilities and covenant testing for the 12 months from the date of these financial statements. With value in the Estate being realised over time and with the support from the bank there are no material uncertainties in relation to going concern. For this reason, the Group continues to adopt the going concern basis in preparing its financial statements.

Basis of consolidation

The Group financial statements consolidate the financial statements of The Heavitree Brewery PLC and its subsidiaries drawn up to 31 October each year.

The assets of the Employee Benefits Trust are fully consolidated within the financial statements. The company share incentive plan is not consolidated on the grounds of materiality.

Notes to the financial statements

for the year ended 31 October 2023

2. Accounting policies (continued)

New standards, interpretations and amendments to existing standards

The Directors have considered all IFRS and IFRIC interpretations issued but not yet in force and have concluded that there is no impact on the financial statements in 2023 and no material impact is expected in respect of the year ended 31 October 2024.

Revenue recognition

Revenue is measured at transaction price when control passes to the customer in respect of goods and services provided, net of discounts and VAT. The following criteria must be met before revenue is recognised:

Drink and food sales (Revenue)

Revenue in respect of drink and food sales is recognised at the point at which the goods are provided, net of any discounts or volume rebates allowed.

Rents receivable from licenced properties (Revenue) and Rents receivable from investment properties (Other operating income)

Rents receivables are recognised on a straight-line basis over the lease term.

Property, plant and equipment

Buildings, furniture and fittings, equipment and vehicles are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is provided on all property, plant and equipment, other than freehold land, on a straight-line basis at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

- Buildings - 2%
- Fixtures and fittings - 10% to 20%
- Computer equipment - 20% to 33¹/₃%
- Office equipment - 20%
- Motor vehicles - 25%

Freehold land and assets under construction are not depreciated.

An annual assessment of residual values is performed and there is no depreciable amount if residual values are the same as, or more than, book value. Residual values are based on the estimated amount which would be currently obtainable from disposal of the asset net of disposal costs if the asset were already of the age and condition expected at the end of its useful life.

Useful lives and residual values are reviewed annually and where adjustments are required these are made prospectively.

Investment property

Unlicensed property held to earn rental income is classified as investment property and is recorded at cost less accumulated depreciation and any recognised impairment losses. The depreciation policy is consistent with that described for property, plant and equipment.

Notes to the financial statements

for the year ended 31 October 2023

2. Accounting policies (continued)

Non-current assets held for sale

Properties identified for disposal which are classified in the Balance Sheet as non-current assets held for sale are held at the lower of carrying value on transfer to non-current assets held for sale, as assessed at the time of transfer, and fair value less costs to dispose. The fair value less costs to dispose is based on the net estimated realisable disposal proceeds (ERV) which are provided by third party property agents who have been engaged to sell the properties. Licensed land and buildings are classified as held for sale when they have been identified for disposal by the Group. They must be available for immediate sale in their present condition and the sale should be highly probable. These conditions are met when management are committed to the sale, the property is actively marketed, and the sale is expected to occur within one year. Licensed land and buildings held for sale are not depreciated.

Impairment of assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the Group makes an estimate of the asset's recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognised immediately in the income statement in those expense categories consistent with the function of the impaired asset.

Financial instruments

Financial assets and financial liabilities are recognised when a Group entity becomes a party to the contractual provisions of the instrument and are initially measured at fair value.

Mortgages

Where the Group holds a debt instrument for the purpose of collecting contractual cash flows and the contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, the instrument is measured at amortised cost net of any write down for impairment. The mortgages currently held are for previous Tenants who have purchased a non-core asset for sale.

Trade receivables

Trade receivables are initially recognised at the transaction price less impairment. In measuring the impairment, the Group has applied the simplified approach to expected credit losses as permitted by IFRS 9. Expected credit losses are assessed by considering the Group's historical credit loss experience, factors specific for each receivable, the current economic climate and expected changes in forecasts of future events. Changes in expected credit losses are recognised in the Group income statement.

Preference shares

Preference shares are measured at amortised cost and recognised as a liability in the balance sheet, net of transaction costs. Preference shares are classified as a financial liability measured at amortised cost until they are extinguished on redemption. The corresponding dividends on those shares are charged as finance costs in the income statement.

Notes to the financial statements

for the year ended 31 October 2023

2. Accounting policies (continued)

Financial instruments (continued)

Interest-bearing loans and borrowings

Obligations for loans and borrowings are recognised when the Group becomes party to the related contracts and are measured initially at the fair value of consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses arising on the repurchase, settlement or otherwise cancellation of liabilities are recognised respectively in finance income and finance cost.

Fair value measurement

The fair value of quoted investments is determined by reference to bid prices at the close of business on the balance sheet date.

Leases – lessor accounting

Leases where the lessor retains a significant portion of the risks and benefits of ownership of the asset are classified as operating leases and rentals payable are charged in the income statement on a straight line basis over the lease term.

Assets leased out under operating leases are included in property, plant and equipment and depreciated over their estimated useful lives. Rental income, including the effect of lease incentives, is recognised on a straight line basis over the lease term.

Where the Group transfers substantially all the risks and benefits of ownership of the asset, the arrangement is classified as a finance lease and a receivable is recognised for the initial direct costs of the lease and the present value of the minimum lease payments. As payments fall due, finance income is recognised in the income statement so as to achieve a constant rate of return on the remaining net investment in the lease.

Leases – Lessee accounting

Right of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. Right of use assets are depreciated on a straight line basis over the estimated useful life of the asset. The corresponding lease liability is measured at the present value of lease payments to be made over the lease term.

Income taxes

The tax expense comprises both the tax payable based on taxable profits for the year and deferred tax. Deferred tax is provided using the balance sheet liability method in respect of temporary differences between the carrying value of assets and liabilities for accounting and tax purposes. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Income tax is charged or credited to equity or to other comprehensive income if it relates to items that are charged or credited to equity or to other comprehensive income. Otherwise, income tax is recognised in the income statement. Tax is calculated using tax rates and laws that are enacted or substantively enacted at the balance sheet date.

Notes to the financial statements

for the year ended 31 October 2023

2. Accounting policies (continued)

Pensions and other post-retirement benefits

The Group has both defined contribution and defined benefit pension arrangements.

The cost of defined contribution payments is charged to the income statement as incurred.

The Group provides discretionary additional post-retirement benefits to retired employees. The benefits, which are entirely discretionary, are reviewed on an annual basis and charged to the income statement during the year in which they are made available.

As described in note 26, the Group maintains a defined benefit pension scheme that was closed to new members on 18 July 2002 and there has been no future accrual since 5 April 2006.

In respect of the defined benefit pension scheme the amount recognised in the Balance Sheet comprises the difference between the present value of the scheme's liabilities and the fair value of the scheme's assets determined by qualified actuaries using the projected unit credit method. The financing charge is determined by applying the discount rate used to measure the defined benefit obligation to both the scheme liabilities and plan assets and is recognised within net finance costs.

Foreign currency

There are no transactions in currencies other than the individual entity's functional currency.

On consolidation, the financial statements of the overseas subsidiary undertaking are translated at the year end rate of exchange, with the results translated at the average rate. Exchange differences arising on consolidation are dealt with in the currency translation reserve and reported in Other Comprehensive Income.

Own share reserve

The cost of own shares held by The Heavitree Brewery PLC Employee Benefits Trust is deducted from shareholders' equity until the shares are cancelled, re-issued or disposed of. Consideration received for the sale of such shares is also recognised in shareholder's equity. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of own shares held.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment of assets

As discussed in the accounting policies above, the Directors assess impairment of assets at each reporting date, on a property by property basis. The Directors' take into consideration trade performance during the year and open market value as to whether there is an indication that an asset may be permanently impaired. When necessary external valuations are carried out. This year has seen bank valuations being done as this is required every seven years. There has been one impairment in the year £150,000 (2022: no impairment).

Pension benefits

The cost of defined benefit pension plans are determined using actuarial valuations. While the Company continues to operate its Final Salary Pension Scheme, the final three deferred members transferred out of the scheme in 2018. Accordingly, the net liability for the company is now solely costs incurred while the scheme is being wound up. The costs have been estimated as at 31 October 2023 at £92,000. Further details are given in note 26.

Notes to the financial statements

for the year ended 31 October 2023

2. Accounting policies (continued)

Key sources of estimation uncertainty (continued)

Insurance proceeds from Jolly Sailor fire

The Group suffered a fire at the Jolly Sailor in April 2021. The Group is covered by an indemnity insurance policy to cover the losses incurred and reinstate the asset to its original state. Demolition is now complete. The Directors have made the decision to put plans forward for a small operating pub and shop plus two cottages to be built on the site. The insurers have confirmed this is covered as long as it is within the original footprint of the pub. This has is being put to a parish committee meeting to be held in January 2024. There is no liability to rebuild the property at the year end. As a result, no insurance income has been recognised as, under IAS 37, no reimbursement asset can be recognised in excess of related liability.

3. Revenue

Revenue recognised in the income statement is analysed as follows.

	2023	2022
	£'000	£'000
Sale of goods	5,165	5,180
Machine revenue	65	55
	<hr/>	<hr/>
Revenue recognised under contracts with customers	5,230	5,235
Rents from licensed properties	2,116	2,045
	<hr/>	<hr/>
Total revenue recognised	7,346	7,280
	<hr/> <hr/>	<hr/> <hr/>

Sale of goods comprises the invoiced values of beers and ciders supplied by the Group to Tenants, together with gaming machine revenue. All revenue is derived in the United Kingdom.

Notes to the financial statements

for the year ended 31 October 2023

4. Segment information

Primary reporting format – business segments

During the year the Group operated in one business segment - leased estates.

Leased estate represents properties which are leased to tenants to operate independently from the Group, under tied and free of tie tenancies.

Secondary reporting format – geographical segments

Revenue is based on the geographical location of customers. All revenue is generated in, and all assets are held in the United Kingdom.

5. Other operating income

	2023 £'000	2022 £'000
Rents from unlicensed properties	215	211
	<u>215</u>	<u>211</u>

6. Operating profit

This is stated after charging:

	2023 £'000	2022 £'000
Depreciation of property, plant and equipment	236	228
Repairs and maintenance of properties	1061	771
	<u>2,991</u>	<u>2,980</u>

7. Auditors' remuneration

The Group paid the following amounts to its auditors in respect of the audit of the financial statements and for other services provided to the Group.

	2023 £'000	2022 £'000
Audit of the group financial statements	55	50
Other fees to auditors		
- audit of the group pension scheme	2	2
- other compliance services	6	5
	<u>8</u>	<u>7</u>
	<u>63</u>	<u>57</u>

Other compliance services relate to a review of the Group's Interim Report of £6,000 (2022: £5,000).

Notes to the financial statements

for the year ended 31 October 2023

8. Profit on sale of property, plant and equipment

	2023	2022
	£'000	£'000
Profits on sale of property, plant and equipment	1,065	968
Impairment of property	(150)	-
	<u>1,065</u>	<u>968</u>

Profit on disposal of non-current assets represents gains on disposal of property, plant and equipment. They are classified as non-operating on the basis that they arise from transactions to dispose of assets other than at the end of their expected useful lives or at values significantly different to their previously assessed residual value.

9. Staff costs and Directors' emoluments

(a) Staff costs

	2023	2022
	£'000	£'000
Wages and salaries	1,203	1,152
Social security costs	139	137
Other pension costs	141	188
	<u>1,483</u>	<u>1,477</u>

Included in other pension costs is £65,567 (2022: £66,155) in respect of the defined contribution scheme. Other pension costs include those defined benefit scheme costs included within operating costs and any defined contribution scheme charge. The Company operates an Inland Revenue approved share incentive plan for its employees. Employees (including Directors) can purchase shares in the scheme and the Company can match these shares and issue free shares. The maximum amounts the Company can issue are within the Inland Revenue maximum allowances. The total cost in the year of the issue of these shares by the Company is £48,735 (2022: £25,337). The scheme is not consolidated into the accounts as it is immaterial to the group.

The average monthly number of employees during the year including Executive Directors was made up as follows:

	2023	2022
	No.	No.
Average monthly number of employees	<u>15</u>	<u>16</u>

Notes to the financial statements

for the year ended 31 October 2023

9. Staff costs and Directors' emoluments (continued)

(b) Directors' emoluments

	<i>Basic salary and fees £'000</i>	<i>Performance related bonus Benefits £'000 £'000</i>		<i>Pension contributions £'000</i>	<i>Total 2023 £'000</i>	<i>Total 2022 £'000</i>
N H P Tucker	191	27	2	-	220	205
G J Crocker	188	12	1	-	201	188
T Wheatley	177	11	12	-	200	186
T P Duncan	19	-	-	-	19	18
K Pease-Watkin	19	-	-	-	19	18
C J Bush	19	-	-	-	19	18
	613	50	15	-	678	633

The performance-related bonuses comprise payments under the Company's bonus scheme and are dependent upon the level of profits.

The emoluments (excluding pension contributions) of the highest paid Director totalled £220,000 (2022: £205,000). The number of Directors accruing pension benefits is nil (2022: nil). The highest paid Director has an accrued pension entitlement of £nil (2022: £nil) arising from past membership of the defined benefit scheme. During the year, shares were awarded to G J Crocker and T Wheatley with a value of £7,198 as part of the company share incentive plan.

10. Finance costs

	<i>2023 £'000</i>	<i>2022 £'000</i>
Interest on bank loans and overdrafts	145	106
Interest on other loans (including cumulative preference shares)	20	11
Interest received on loans and mortgages	(34)	-
Total finance costs	131	117

Notes to the financial statements

for the year ended 31 October 2023

11. Taxation

(a) Tax on profit on ordinary activities

Tax expensed in the income statement

	2023	2022
	£'000	£'000
<i>Current income tax:</i>		
UK corporation tax	263	339
Under/(over) provision of tax in prior years	(4)	(83)
Tax paid by Employee Benefits Trust	-	-
	<u>259</u>	<u>256</u>
	<u><u>259</u></u>	<u><u>256</u></u>
<i>Deferred tax:</i>		
Origination and reversal of temporary differences	67	32
Adjustments in respect of prior periods	1	18
Changes in tax rates	-	-
	<u>68</u>	<u>50</u>
	<u><u>68</u></u>	<u><u>50</u></u>
Tax expense in the income statement	<u><u>327</u></u>	<u><u>306</u></u>

	2023	2022
	£'000	£'000
Tax relating to items expensed or credited to equity		
<i>Deferred tax:</i>		
Deferred tax on defined benefit pensions scheme	-	-
	<u>-</u>	<u>-</u>
Total deferred tax	-	-
	<u>-</u>	<u>-</u>
Tax expense in the statement of comprehensive income	-	-
	<u><u>-</u></u>	<u><u>-</u></u>

Notes to the financial statements

for the year ended 31 October 2023

11. Taxation (continued)

(b) Reconciliation of the total tax expense

The tax expense in the income statement for the year is lower than the (2022: lower than) standard rate of corporation tax in the UK of 25% (2022: 19%). The differences are reconciled below:

	2023 £'000	2022 £'000
Accounting profit before income tax	1,826	2,273
Accounting profit multiplied by a blended rate as the rate changed within the financial year a rate of corporation tax of 22.52% was used (2022: 19 %)	414	432
Expenses not deductible for tax purposes	(191)	(157)
Income not taxable	(6)	(8)
Adjustment in respect of prior years – current tax	(4)	(83)
Adjustment in respect of prior years – deferred tax	1	18
Short term timing differences	-	3
Chargeable gains	107	94
Change in tax rates	6	7
Total tax expense reported in the income statement	327	306

(c) Deferred tax

The deferred tax included in the balance sheet is as follows:

	2023 £'000	2022 £'000
Deferred tax liability		
Accelerated capital allowances	858	790
Short term timing differences	(6)	(6)
	852	784

Notes to the financial statements

for the year ended 31 October 2023

11. Taxation (continued)

(c) Deferred tax (continued)

	2023 £'000	2022 £'000
Deferred tax asset		
Pension plans	16	16
	<u>16</u>	<u>16</u>

The deferred tax asset has been recognised on the basis that it will be relieved against future profits anticipated to arise in the foreseeable future.

The deferred tax included in the Group income statement is as follows:

	2023 £'000	2022 £'000
Deferred tax in the income statement		
Accelerated capital allowances	68	32
Change in tax rates on opening balances	-	18
	<u>68</u>	<u>50</u>
Deferred income tax expense	<u>68</u>	<u>50</u>

Notes to the financial statements

for the year ended 31 October 2023

12. Earnings per share

Basic earnings per share amounts are calculated by dividing profit for the year attributable to ordinary equity holders of the parent by the weighted average number of Ordinary shares and 'A' Limited Voting Ordinary shares outstanding during the year.

The following reflects the income and shares data used in the basic earnings per share computation:

	2023 £'000	2022 £'000
Profit for the year	1,499	1,967
	<u>2023</u>	<u>2022</u>
Basic weighted average number of shares (excluding own share reserve)	4,840	4,834

13. Dividends paid and proposed

	2023 £'000	2022 £'000
<i>Declared and paid during the year:</i>		
Equity dividends on ordinary shares:		
Final dividend for 2022: 3.5p (2021: nil)	176	-
First dividend for 2023: 2.00p (2022: nil)	101	-
Less: dividends on shares held within employee share schemes	(10)	-
Dividends paid	<u>267</u>	<u>-</u>
<i>Proposed for approval at AGM (not recognised as a liability as at 31 October 2023)</i>		
Final dividend for 2023: 3.5p (2022: 3.5p)	176	176
Cumulative preference dividends	<u>1</u>	<u>1</u>

Notes to the financial statements

for the year ended 31 October 2023

14. Property, plant and equipment

<i>Group</i>	<i>Land and buildings</i>	<i>Furniture and fittings</i>	<i>Equipment and vehicles</i>	<i>Investment properties</i>	<i>Total</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
At 31 October 2021	15,670	3,229	405	1,490	20,794
Additions	96	183	195	-	474
Transfer to assets held for sale	(35)	-	-	(279)	(314)
Transfer to investment properties	-	-	-	-	-
Disposals	(45)	(452)	(157)	-	(654)
At 31 October 2022	15,686	2,960	443	1,211	20,300
At 31 October 2022	15,686	2,960	443	1,211	20,300
Additions	1,496	217	91	25	1,829
Transfer to assets held for sale	(79)	(12)	-	(18)	(109)
Transfer to investment Properties	(1,037)	-	-	1,037	-
Transfer from current inventories	-	39	-	-	39
Disposals	(9)	(15)	(39)	-	(63)
At 31 October 2023	16,057	3,189	495	2,255	21,996

Notes to the financial statements

for the year ended 31 October 2023

14. Property, plant and equipment (continued)

<i>Group</i>	<i>Land and buildings</i>	<i>Furniture and fittings</i>	<i>Equipment and vehicles</i>	<i>Investment properties</i>	<i>Total</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<i>Depreciation:</i>					
At 31 October 2021	110	2483	275	-	2868
Provided during the year	-	148	68	-	216
Transfer from current assets	-	-	-	-	-
Disposals	-	(452)	(136)	-	(588)
Transfers out	-	-	-	-	-
At 31 October 2022	110	2,179	207	-	2,496
Provided during the year	-	157	65	-	222
Transfer from current assets	-	7	-	-	7
Impairment	150	-	-	-	150
Disposals	(1)	(15)	(9)	-	(25)
Transfers out	-	-	-	-	-
At 31 October 2023	259	2,328	263	-	2,850
Net book value					
At 31 October 2023	15,798	861	232	2,255	19,146
Net book value					
At 31 October 2022	15,576	781	236	1,211	17,804
Net book value at					
31 October 2021	15,560	746	130	1,490	17,926

In the Directors' opinion the investment properties have a fair value as at 31 October 2023 of £3,265,000 (2022: £1,710,000). The investment properties are held at cost in accordance with IAS 40 and the fair value has been considered and valued by the Directors based on current market prices for similar properties within a similar area. The fair value disclosure of investment property is categorised as a level 2 recurring fair value disclosure in accordance with IFRS 13.

Included within land and buildings is £594,000 (2022: £594,000) in relation to owner occupied property. The remainder of this category is subject to operating leases and an analysis of rent receipts is given in note 22.

In performing the annual review of property values, the Directors considered that ongoing changes in trading circumstances at one of the Estate's licenced properties resulted in an impairment adjustment of £150,000. The considered fair value of the asset in the estate is £750,000.

Notes to the financial statements

for the year ended 31 October 2023

14. Property, plant and equipment (continued)

<i>Company</i>	<i>Land and buildings</i>	<i>Furniture and fittings</i>	<i>Equipment and vehicles</i>	<i>Investment properties</i>	<i>Total</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<i>Cost:</i>					
At 31 October 2021	15,625	3,229	407	1,490	20,751
Additions	96	183	195	-	474
Transfer to assets held for sale	(35)	-	-	(279)	(314)
Transfer to investment properties	-	-	-	-	-
Disposals	-	(452)	(159)	-	(611)
Transfer between categories	-	-	-	-	-
At 31 October 2022	15,686	2,960	443	1,211	20,300
Additions	1,496	217	91	25	1,829
Transfer to assets held for sale	(79)	(12)	-	(18)	(109)
Transfer to investment Properties	(1,037)	-	-	1,037	-
Transfer from current inventories	-	39	-	-	39
Disposals	(9)	(15)	(39)	-	(63)
Transfer between categories	-	-	-	-	-
At 31 October 2023	16,057	3,189	495	2,255	21,996
<i>Depreciation and impairment:</i>					
At 31 October 2021	110	2,483	274	-	2,867
Provided during the year	-	148	68	-	216
Transfer from assets	-	-	-	-	-
Disposals	-	(452)	(135)	-	(587)
Transfer between categories	-	-	-	-	-
At 31 October 2022	110	2,179	207	-	2,496
Provided during the year	-	157	65	-	222
Transfer from assets	-	7	-	-	7
Impairment	150	-	-	-	150
Disposals	(1)	(15)	(9)	-	(25)
Transfer between categories	-	-	-	-	-
At 31 October 2023	259	2,328	263	-	2,850
Net book value at At 31 October 2023	15,798	861	232	2,255	19,146
Net book value at 31 October 2022	15,576	781	236	1,211	17,804
Net book value at 31 October 2021	15,515	746	133	1,490	17,884

Notes to the financial statements

for the year ended 31 October 2023

14. Property, plant and equipment (continued)

In the Directors' opinion the investment properties have a fair value as at 31 October 2023 of £3,265,000 (2022: £1,710,000). The investment properties are held at cost and the fair value has been considered and valued by the Directors based on current market prices for similar properties within a similar area. The fair value disclosure of investment property is categorised as a level 2 recurring fair value disclosure in accordance with IFRS 13.

In performing the annual review of property values, the Directors considered that ongoing changes in trading circumstances at one of the Estate's licenced properties resulted in an impairment adjustment of £150,000. The considered fair value of the asset in the estate is £750,000.

Included within land and buildings is £594,000 (2022: £594,000) in relation to owner occupied property. The remainder of this category is subject to operating leases and an analysis of rent receipts is given in note 22.

14b. Right of Use Asset

Group and Company

	<i>Motor vehicles</i>	<i>Property</i>	<i>Total</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
At 31 October 2022	35	49	84
Additions	39	-	39
Disposals	-	-	-
At 31 October 2023	74	49	123
Depreciation			
At 31 October 2022	10	14	24
Provided during the year	15	7	22
Disposals	-	-	-
At 31 October 2023	25	21	46
NBV at 31 October 2023	49	28	77
NBV at 31 October 2022	25	35	60

Notes to the financial statements

for the year ended 31 October 2023

15. Non-current assets held for sale

<i>Group and Company</i>	2023 £'000	2022 £'000
At 1 November 2022	180	883
Transfer (to)/from property, plant and equipment (note 16)	109	314
Additions	-	14
Disposals	(219)	(1,018)
At 31 October 2023	70	180
	70	180

As at 31 October 2023 two properties were being actively marketed for sale (2022 – three properties).

16. Financial assets

<i>Group</i>	2023 £'000	2022 £'000
Financial assets – non-current		
Financial assets measured at fair value through Other comprehensive income	34	34
Financial assets at amortised cost (mortgages)	435	328
At 31 October 2023	469	362
	469	362

Financial assets, measured at fair value through other comprehensive income consist of an investment in ordinary shares of a company listed on Aquis markets. Financial assets at amortised cost are mortgages provided to previous tenants to purchase property. The company holds security against these properties. The loans are being paid over 10-15 years. See below in the company note for more information.

<i>Company</i>	<i>Subsidiary</i>			<i>Total</i> £'000
	<i>Mortgages</i> £'000	<i>undertakings</i> £'000	<i>Investments</i> £'000	
Cost:				
At 1 November 2022	365	86	55	506
Loan advance	125	-	-	125
At 31 October 2023	490	86	55	631
Amounts provided or paid:				
At 1 November 2022	(37)	(52)	(21)	(110)
Amounts paid in the year	(18)	-	-	(18)
At 31 October 2023	(55)	(52)	(21)	(128)
Net book value:				
At 31 October 2023	435	34	34	503
	435	34	34	503
At 31 October 2022	328	34	34	396
	328	34	34	396

Notes to the financial statements

for the year ended 31 October 2023

16. Financial assets(continued)

The Company's subsidiary undertakings are as follows:

<i>Name of Company</i>	<i>Country of registration (or incorporation) and operation</i>	<i>Holding</i>	<i>Proportion held</i>	<i>Nature of business</i>
Heavitree Inc	USA	Common Stock	100%	Ownership of freehold land

Heavitree inc USA the final piece of land was sold during the year a process has been started to wind up this Company.

Heavitree Inns Limited	England and Wales	Ordinary shares	100%	Dormant
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Each subsidiary undertaking is directly owned by the Company.

Registered office of subsidiary: Trood Lane Matford Exeter Devon EX2 8YP

17. Inventories

<i>Group and Company</i>	<i>2023</i>	<i>2022</i>
	<i>£'000</i>	<i>£'000</i>
Fine wines	6	6
Merchandising inventory	4	4
	<u>10</u>	<u>10</u>

18. Trade and other receivables

<i>Group</i>	<i>2023</i>	<i>2022</i>
	<i>£'000</i>	<i>£'000</i>
Trade receivables	505	493
Prepayments and accrued income	449	585
Other receivables	86	13
Finance leases	130	212
	<u>1,170</u>	<u>1,303</u>

<i>Company</i>	<i>2023</i>	<i>2022</i>
	<i>£'000</i>	<i>£'000</i>
Trade receivables	505	493
Prepayments and accrued income	449	585
Other receivables	81	13
Finance leases	130	212
	<u>1,165</u>	<u>1,303</u>

Notes to the financial statements

for the year ended 31 October 2023

18. Trade and other receivables (continued)

Mortgages given to Tenants to purchase assets for sale have now been re-classified under non-current financial assets, previously this was included within other debtors.

Trade receivables are all denominated in sterling.

An allowance has been made for estimated irrecoverable amounts of £103,930 (2022: £95,847). The estimated irrecoverable amount is arrived at by considering the historical loss rate and adjusting for current expectations, client base and economic conditions. The Directors have applied a single average rate for expected credit losses to the overall population of trade receivables and accrued income. The single expected loss rate applied is 11% (2022: 11%). The Directors consider that the carrying amount of trade and other receivables approximates to their fair value.

Trade receivables are non-interest bearing and are generally on 30 days' terms and are shown net of a provision for impairment. As at 31 October 2023, trade receivables at nominal value of £103,930 (2022: £95,847) were considered to be fully impaired and the Directors have included a specific provision over the expected credit losses in respect of these. Movements in the provision for impairment of receivables were as follows:

	2023	2022
	£'000	£'000
At 1 November 2022	96	87
(Credit)/charge for the year	7	9
Amounts written off	-	-
	<u>103</u>	<u>96</u>
At 31 October 2023	<u>103</u>	<u>96</u>

As at 31 October 2023, the analysis of trade receivables that were past due but not impaired and for where no provision has been included in the accounts is as follows:

	<i>Neither past due nor impaired</i>		<i>Past due but not impaired</i>		
	<i>Total</i>	<i>impaired</i>	<i>0-30 days</i>	<i>30-90 days</i>	<i>90+ days</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
2023	505	379	38	75	13
2022	493	462	22	8	1

Notes to the financial statements

for the year ended 31 October 2023

19. Cash and cash equivalents

	2023	2022
<i>Group and Company</i>	<i>£'000</i>	<i>£'000</i>
Cash at bank and in hand	373	788
	<u>373</u>	<u>788</u>
	<u><u>373</u></u>	<u><u>788</u></u>

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise the following at 31 October:

	2023	2022
	<i>£'000</i>	<i>£'000</i>
Cash at bank and in hand	373	788
Bank overdrafts	-	-
	<u>373</u>	<u>788</u>
	<u><u>373</u></u>	<u><u>788</u></u>

20. Trade and other payables

<i>Group</i>	2023	2022
	<i>£'000</i>	<i>£'000</i>
Current		
Trade payables	406	462
Other taxation and social security	99	187
Accruals	292	264
Other payables	208	220
	<u>1,005</u>	<u>1,133</u>
	<u><u>1,005</u></u>	<u><u>1,133</u></u>
 <i>Company</i>	 2023	 2022
	<i>£'000</i>	<i>£'000</i>
Current		
Trade payables	406	462
Other taxation and social security	99	187
Accruals	292	264
Other payables	208	220
Amount owed to subsidiary	110	122
	<u>1,115</u>	<u>1,255</u>
	<u><u>1,115</u></u>	<u><u>1,255</u></u>
 Non-current-Group and company		
Other payables - tenants' deposits	338	326
	<u>338</u>	<u>326</u>
	<u><u>338</u></u>	<u><u>326</u></u>

Tenants' deposits mature when the tenant leaves the property or if trading terms are altered at which point, they are repaid. Interest is based on the base rate and an appropriate margin.

Notes to the financial statements

for the year ended 31 October 2023

21. Financial liabilities

<i>Group and Company</i>	2023	2022
	£'000	£'000
Current		
Bank loan	2,065	184
Lease liabilities	36	45
	<u>2,101</u>	<u>229</u>
	<u><u>2,101</u></u>	<u><u>229</u></u>

At the year end the Group was in breach of one covenant under its old facility resulting in the bank Loan being classified as a current liability. A new facility and revised covenant are now in place from the new financial year. As a result of the post year-end renewal of banking facilities, and on the basis that there are no further instances of covenant non-compliance, next year's financial statements will show a movement back to non-current liabilities. For further details please see going concern on page 10.

	2023	2022
	£'000	£'000
Non-current		
11.5% cumulative preference shares (note 24)	11	11
Bank loan	-	2,131
Lease liabilities	86	53
	<u>97</u>	<u>2,195</u>
	<u><u>97</u></u>	<u><u>2,195</u></u>

The bank loan and overdraft are secured over certain of the Group's freehold properties by a first legal charge to the value. A revaluation was done in the year as per the banking agreement the value is now £21,665,000 (2022: £15,125,000). Lease liabilities are secured on the assets to which they relate.

Obligations under lease liabilities	2023	2022
	£'000	£'000
Amounts payable under lease liabilities:		
Within one year	36	45
Within two to five years	86	53
After five years	-	-
Present value of lease obligation	<u>122</u>	<u>98</u>
	<u><u>122</u></u>	<u><u>98</u></u>

Included in the obligations under lease liabilities are £64,000 (2022: £45,000) in respect of Motor vehicle HP liability, £33,000 (2022:£17,000) in respect of motor vehicle right of use assets and £24,000 (2022:£35,000) in respect of right of use asset on Property.

Notes to the financial statements

for the year ended 31 October 2023

22. Operating lease agreements where the group is a lessor

Group and Company

The Group is a lessor of licensed properties to Tenants. The leases have various terms, escalation clauses and renewal rights.

The maturity of undiscounted lease receipts is as follows:

	2023	2022
	£'000	£'000
Within one year	2	1,925
One to two years	1,073	1,113
Two to three years	838	640
Three to four years	573	538
Four to five years	446	342
More than five years	3,042	2,288
	7,809	6,846
	7,809	6,846

As a lessor the Group gave various rent concessions during the year 2020 and 2021, resulting in a reduction in rents received in the year which is reflected in the above table. In accordance with IFRS 16 the revised total rent receipts are being recognised on a straight line basis over the lease term.

23. Financial instruments and derivatives

Group and Company

The Group's principal financial instruments comprise cash, Tenants' deposits, loans, investments and its own non-equity share capital. The principal purpose of these financial instruments is to provide finance for the Group's operations. The Group has various other financial instruments such as trade receivables and trade payables that arise directly from its operations.

Short-term trade receivables and trade payables

Short-term trade receivables and trade payables have been excluded from the numerical disclosures on fair values below.

Notes to the financial statements

for the year ended 31 October 2023

23. Financial instruments and derivatives (continued)

Interest rate risk

As the Group has no significant interest-bearing assets, other than cash and cash equivalents, the Group's income and operating cash flows are substantially independent of changes in market interest rates. Income and cash flows from cash and cash equivalents fluctuate with interest rates.

The Group finances its operations through a mixture of equity shareholders' funds, preference shares and a secured Term Loan and overdraft.

Cash and borrowings are denominated in sterling and interest is paid on cash and borrowings at a floating rate. The interest rate risk exposure is managed by the use of interest rate swap contracts when considered appropriate (none were used in the year), and the Group continually monitors its interest rate risk exposure. The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on cash and floating rate borrowings). There is no impact on the Group's equity.

The sensitivity analysis of interest rates on bank borrowings is as follows. 100 basis points has been used as movements are linear.

	<i>Increase/ decrease in basis points</i>	<i>Effect on profit before tax £000</i>
2023		
Sterling	+100	(16)
Sterling	-100	16
2022		
Sterling	+100	(16)
Sterling	-100	16

Interest rate risk profile of non-equity shares

The Company has in issue 11,695 £1 cumulative preference shares with a fixed coupon rate of 11.5%. These represent the remaining preference shares in issue following the offer made by the Company in 1996 to repurchase these shares. They are no longer listed on any public market and have no fixed maturity date.

Notes to the financial statements

for the year ended 31 October 2023

23. Financial instruments and derivatives (continued)

Liquidity risk

The Group is primarily financed by equity shareholders' funds and a secured Term Loan, subject to relevant covenants being met. The covenants that applied at the year end are gross borrowings : EBITDA calculation of no more than 3:1 and debt service cover of no less than 1.25. At 31 October 2023 Gross borrowings: EBITDA was 1.62 and debt service cover was 0.26 which is a breach in covenant.

As at the year end, the loan is presented as a current liability as a result of the breach. The covenants have been renegotiated since the year end and the basis of calculation of the debt service covenant has been changed from an available cash flow basis to an EBITDA basis. The bank have confirmed that as the loan has been replaced with a new facility, there will be no further action in respect of the breach at the year end.

Cash flow forecasts are produced to assist management in identifying liquidity requirements and are stress tested for possible scenarios. Cash balances are invested in the short-term such that they are readily available to settle short-term liabilities or fund capital additions.

The table below summarises the maturity profile of the Group's financial liabilities at 31 October 2023 and 2022 based on contractual undiscounted payments.

Year ended 31 October 2023

	<i>On demand</i>	<i>Less than 3 months</i>	<i>3-12 months</i>	<i>1-5 years</i>	<i>More than 5 years</i>	<i>Total</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Bank loan/overdraft	2,065	-	-	-	-	2,065
Tenants' deposits	-	-	-	338	-	338
Trade payables	406	-	-	-	-	406
Lease liabilities	36	-	-	86	-	122

Year ended 31 October 2022

	<i>On demand</i>	<i>Less than 3 months</i>	<i>3-12 months</i>	<i>1-5 years</i>	<i>More than 5 years</i>	<i>Total</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Bank loan/overdraft	184	-	-	2,131	-	2,315
Tenants' deposits	-	-	-	326	-	326
Trade payables	462	-	-	-	-	462
Lease liabilities	45	-	-	53	-	98

Capital risk

The Group's capital structure is made up of net debt, issued share capital and reserves. These are managed effectively to minimise the Group's cost of capital, to add value to shareholders and to service debt obligations, ultimately ensuring that the Group continues as a going concern.

The securitised debt is monitored by a variety of measures which are reported to debt providers on a quarterly basis. The Group assesses the performance of the business; the level of available funds and the short to medium-term plans concerning capital spend as well as the need to meet financial covenants. Such assessment influences the level of dividends payable.

Notes to the financial statements

for the year ended 31 October 2023

23. Financial instruments and derivatives (continued)

Credit risk

There are no significant concentrations of credit risk within the Group the two largest financial assets are three mortgages with a carrying value of £435,000 (2022: £328,000) which are secured on property to which they relate. The maximum credit risk exposure relating to financial assets is represented by their carrying value as at the balance sheet date.

Trade and other receivables, as shown on the consolidated balance sheet, comprise a large number of individually small amounts from unrelated customers and are shown net of a provision for doubtful debts.

The Group has established procedures to minimise the risk of default on trade receivables including, when considered appropriate, undertaking detailed credit checks before a customer is accepted this includes mortgages owed to the Company. The credit quality of counterparts is assessed through the use of credit agencies at the outset of the business relationship.

Monthly checks are made, and credit terms altered where appropriate. Historically, these procedures have proved effective in minimising the level of impaired and past due debtors. Debtors are considered on an individual basis each year.

Foreign currency risk

As a result of the investment in operations in the United States of America, the Group's financial statements can be affected by movements in the exchange rate between sterling and the US dollar. This risk has been considered by the Group and is not deemed significant enough to warrant the extra cost of hedging the risk as foreign currency exposure is not material to the Group.

The Group does not face transactional currency exposure as all transactions are denominated in the functional currency.

Notes to the financial statements

for the year ended 31 October 2023

23. Financial instruments and derivatives (continued)

Fair values of financial assets and liabilities Set out below is a comparison by category of book values and fair values of all the Group's financial assets, financial liabilities and non-equity shares as at 31 October.

	<i>Hierarchical classification</i>	<i>Book value 2023 £'000</i>	<i>Fair value 2023 £'000</i>	<i>Book value 2022 £'000</i>	<i>Fair value 2022 £'000</i>
Financial assets					
Cash	Level 1	373	373	788	788
Assets held at fair value through other comprehensive income **	Level 1	34	34	34	34
Mortgage *	Level 2	435	435	328	328
		842	842	1,150	1,150
Financial liabilities					
Bank loan/overdraft*	Level 2	(2,065)	(2,065)	(2,315)	(2,315)
Interest-bearing loans and borrowings:					
Floating rate borrowings					
Tenants' deposits*	Level 3	(338)	(338)	(326)	(326)
Cumulative preference shares*	Level 3	(11)	(11)	(11)	(11)
Lease liabilities*	Level 2	(122)	(122)	(98)	(98)
		(2,536)	(2,536)	(2,750)	(2,750)

* denotes amortised cost ** financial liabilities at fair value

The fair value of financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced liquidation or sale.

The following methods and assumptions were used to estimate the fair values:

The fair value of short-term loans and overdrafts approximates to the carrying amount because of the short maturity of these instruments.

The carrying value of Tenants' deposits and cumulative preference shares are assumed to approximate their fair value

The fair value of assets held at fair value through other comprehensive income is based on market value (see note 16).

Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.

Notes to the financial statements

for the year ended 31 October 2023

23. Financial instruments and derivatives (continued)

Hierarchical classification of financial assets and liabilities measured at fair value

IFRS 13 requires that the classification of financial instruments at fair value be determined by reference to the source of inputs used to derive fair value.

The classification uses the following three-level hierarchy:

Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 – other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3 – techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

During the years ending 31 October 2023 and 31 October 2022 there were no transfers between level 1, 2 or 3 fair value measurements.

Notes to the financial statements

for the year ended 31 October 2023

24. Issued share capital

Group and Company

(i) Ordinary shares

	2023	2022
	£	£
Ordinary shares of 5p each	92,235	99,735
'A' limited voting Ordinary shares of 5p each	159,124	164,124
Unclassified shares of 5p each	936,946	924,446
	<u>1,188,305</u>	<u>1,188,305</u>

<i>Allotted, called up and fully paid</i>	2023	2022	2023	2022
	<i>No.</i>	<i>No.</i>	£	£
Ordinary Shares of 5p each				
At 1 November	1,994,699	1,994,699	99,735	99,735
Purchases	(150,000)	-	(7,500)	-
At 31 October	<u>1,844,699</u>	<u>1,994,699</u>	<u>92,235</u>	<u>99,735</u>

	2023	2022	2023	2022
	<i>No.</i>	<i>No.</i>	£	£
'A' Limited Voting Ordinary Shares of 5p each				
At 1 November	3,282,478	3,282,478	164,124	164,124
Purchases	(100,000)	-	(5,000)	-
At 31 October	<u>3,182,478</u>	<u>3,282,478</u>	<u>159,124</u>	<u>164,124</u>

The Ordinary Shares and 'A' Limited Voting Ordinary Shares are entitled equally to dividends, and rank equally on a winding up, after the Cumulative Preference Shares. The Ordinary Shares carry one vote for every £1 in nominal amount and the 'A' Limited Voting Ordinary Shares carry one vote for every £10 in nominal amount. There are no Unclassified Shares in issue; shares purchased by the Company become authorised (but unissued) Unclassified Shares.

Notes to the financial statements

for the year ended 31 October 2023

24. Issued share capital (continued)

(ii) Preference shares classified as non-current liability

	2023	2022
	£	£
11.5% Cumulative Preference Shares of £1 each	11,695	11,695
	<u>11,695</u>	<u>11,695</u>

	2023	2022	2023	2022
	No.	No.	£	£
<i>Allotted, called up and fully paid</i>				
11.5% Cumulative Preference Shares of £1 each	11,695	11,695	11,695	11,695
	<u>11,695</u>	<u>11,695</u>	<u>11,695</u>	<u>11,695</u>

The Cumulative Preference Shares are entitled to a fixed cumulative preferential dividend at 11.5% per annum. On a return of capital on a winding up, these shares will rank first for their nominal amount and any arrears of dividend. The Cumulative Preference Shares do not normally carry voting rights.

An explanation of the Group's capital management process and objectives is set out in the discussion of financial instruments on page 15 in the Directors' report.

25. Reconciliation of movements in equity

Group and Company

The reconciliations of movements in equity are shown in the Group statement of changes in equity and the company statement of changes in equity on pages 34 and 39 respectively.

Equity share capital

The balance classified as share capital includes the total net proceeds (nominal amount only) arising or deemed to arise on the issue of the Company's equity share capital, comprising Ordinary Shares of 5p each and 'A' Limited Voting Ordinary Shares of 5p each.

Capital redemption reserve

The capital redemption reserve arises on the repurchase and cancellation by the Company of Ordinary Shares, and 'A' limited Voting Ordinary Shares.

Own share reserve

Own share reserve represents the cost of The Heavitree Brewery PLC shares purchased in the market and held by The Heavitree Brewery PLC Employee Benefits Trust ('EBT').

At 31 October 2023, the Group held 98,938 Ordinary Shares and 59,641 'A' Limited Voting Ordinary Shares (2022: 210,335 Ordinary Shares and 195,386 'A' Limited Voting Ordinary Shares) of its own shares. During the year there were purchases of 38,603 Ordinary Shares and sales of 23,393 'A' Limited Voting Ordinary Shares.

Notes to the financial statements

for the year ended 31 October 2023

25. Reconciliation of movements in equity (continued)

Fair value adjustments reserve

The fair value adjustments reserve is used to record differences in the year on year fair value of the investment classified as fair value through comprehensive income.

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

26. Pensions and post-retirement benefits

Group and Company

(i) Pension payments

During the year the Group made discretionary pension payments of £4,641 (2022: £3,777) directly to past employees.

(ii) Defined contribution schemes

From 1 January 2003, the Company has also operated an employer-sponsored personal pension arrangement. The assets of the arrangement are held separately from those of the Company in an independently administered fund. The pension charge for the period was £65,567 (2022: £66,155).

(iii) Defined benefit scheme

The Company sponsors the plan which is a funded defined benefit arrangement. This is a separate trustee administered fund holding the pension plan assets to meet long term pension liabilities for past and present employees. The scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator, and Guidance Notes adopted by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension plans in the UK.

The scheme was closed to new members on 18 July 2002 and there has been no future accrual since 5 April 2006.

The Trustees of the scheme are required to act in the best interest of the scheme's beneficiaries. The appointment of the Trustees is determined by the scheme's trust documentation. It is policy that one third of all Trustees should be nominated by the members and there must be a minimum of one such trustee.

A full actuarial valuation was carried out as at 31 December 2016 in accordance with the scheme funding requirements of the Pensions Act 2004 and the funding of the scheme is agreed between the Company and the Trustees in line with those requirements. These in particular require the surplus/deficit to be calculated using prudent, as opposed to best estimate actuarial assumptions.

There have been no changes in the valuation methodology adopted for this period compared to the previous period. Wind-up of the scheme has been entered into from the 17 January 2022.

Notes to the financial statements

for the year ended 31 October 2023

26. Pensions and post-retirement benefits (continued)

Amounts included in the Balance Sheet

	<i>31 October</i>	<i>31 October</i>	<i>31 October</i>
	<i>2023</i>	<i>2022</i>	<i>2021</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Fair value of plan assets	18	18	18
Present value of defined benefit obligation	(110)	(110)	(110)
Surplus/(deficit) in scheme	(92)	(92)	(92)

The present value of scheme liabilities is measured by discounting the best estimate of future cash flows to be paid out by the scheme using the projected unit credit method. The value calculated in this way is reflected in the net liability in the balance sheet as shown above.

All actuarial gains and losses will be recognised in the year in which they occur in other comprehensive income.

Reconciliation of opening and closing present value of the defined benefit obligation

	<i>2023</i>	<i>2022</i>
	<i>£'000</i>	<i>£'000</i>
As at 1 November	110	110
Current service cost	-	-
Interest cost	-	-
Actuarial losses due to scheme experience	-	-
Actuarial gains due to changes in demographic assumptions	-	-
Actuarial losses due to changes in financial assumptions	-	-
Benefits paid	-	-
Past service costs	-	-
Liabilities extinguished on settlement	-	-
At 31 October	110	110

Notes to the financial statements

for the year ended 31 October 2023

26. Pensions and post-retirement benefits (continued)

There have been no plan amendments, or curtailments in the accounting period.

Reconciliation of opening and closing values of the fair value of plan assets

	2023 £'000	2022 £'000
As at 1 November	18	18
Interest	-	-
Return on plan assets (excluding amounts included in interest income)	-	-
Employer contributions	-	-
Assets distributed on settlement	-	-
Benefits paid	-	-
	<u>18</u>	<u>18</u>
At 31 October	<u>18</u>	<u>18</u>

The actual return on the plan assets over the period ended 31 October 2023 was £nil.

Defined benefit costs recognised in profit or loss

	2023 £'000	2022 £'000
Past service costs and loss on settlements	-	-
Net interest cost	-	-
	<u>-</u>	<u>-</u>
Defined benefit cost recognised in profit or loss	<u>-</u>	<u>-</u>

Defined benefit costs recognised in Other Comprehensive Income

	2023 £'000	2022 £'000
Return on plan assets (excluding amounts included in net interest cost) –loss	-	-
Experience losses arising on the defined benefit obligation	-	-
Effects of changes in the demographic assumptions - gain	-	-
Effects of changes in the financial assumptions - loss	-	-
	<u>-</u>	<u>-</u>
Total amount recognised in other comprehensive income	<u>-</u>	<u>-</u>

Notes to the financial statements

for the year ended 31 October 2023

26. Pensions and post-retirement benefits (continued)

Plan assets

	<i>31 October</i> 2023 £'000	<i>31 October</i> 2022 £'000	<i>31 October</i> 2021 £'000
Corporate Bonds	-	-	-
Government Bonds	-	-	-
Cash	18	18	18
Insured Contract	-	-	-
Total assets	<u>18</u>	<u>18</u>	<u>18</u>

None of the fair values of the assets shown above include any direct investments in the Company's own financial instruments or any property occupied by, or other assets used by, the Company. The scheme assets consist of the Trustee bank account; therefore, the scheme assets do not have a quoted market price in an active market. There are no additional assets pledged, and no additional arrangements agreed between the Company and Trustees to secure members benefits under the plan.

It is the policy of the Trustees and the Company to review the investment strategy at the time of each funding valuation. The Trustees' investment objectives and the processes undertaken to measure and manage the risks inherent in the plan investment strategy are illustrated by the allocation as at 31 October 2023.

There are no asset-liability matching strategies in place for the scheme.

Significant Actuarial Assumptions

	<i>31 October</i> 2023 % per annum	<i>31 October</i> 2022 % per annum	<i>31 October</i> 2021 % per annum
Rate of discount	5.00	5.00	1.80
Allowance for commutation of pension for cash at retirement	N/A	N/A	N/A

It is not considered necessary to disclose details of mortality rates and sensitivity to principal actuarial assumptions given the scheme has only retired members and their dependants at the year end, where the benefits are fully covered by purchased annuities.

Notes to the financial statements

for the year ended 31 October 2023

27. Related party transactions

Group and Company

During the year the Group entered into transactions, in the ordinary course of business, with other related parties.

A close family member of one of the Directors was a tenant of one of the licensed properties and rents one of the unlicensed properties. Transactions with this related party are as follows:

	<i>Sales to related parties £'000</i>	<i>Trading amounts owed from related parties £'000</i>	<i>Purchases from related parties £'000</i>
31 October 2023	85	-	-
31 October 2022	117	9	-

During the previous year the company received a loan amount from a close family member of one of the Directors. The loan advanced in this year totalled £nil (2022: £50,000) and an amount of £70,000 was repaid from a previous loan. The balance outstanding at the year end was £3,354 (2022: £71,674). Interest is accrued on the loans at 1.5% over base rate.

Terms and conditions of transactions with related parties

Sales and purchases between related parties are made on normal commercial terms. Outstanding balances with entities other than subsidiaries are unsecured, interest free and cash settlement is expected within 30 days of month end. Terms and conditions for transactions with subsidiaries are the same, with the exception that balances are placed on intercompany accounts with no specified credit period. The Group has not provided or benefited from any guarantees for any related party receivables or payables. During the year ended 31 October 2023, the Group has not made any provision for doubtful debts relating to amounts owed by related parties (2022: £nil).

Compensation of key management personnel (including Directors)

The only key management personnel are Directors, and their compensation is disclosed in note 9.

Notes to the financial statements

for the year ended 31 October 2023

28. Notes to the cashflow statement

Group and Company

	<i>At 1 November 2022 £'000</i>	<i>Financing cash flows £'000</i>	<i>New finance leases £'000</i>	<i>Other changes £'000</i>	<i>At 31 October 2023 £'000</i>
Cash	788	(415)	-	-	373
Bank overdraft	-	-	-	-	-
Cash and cash equivalents	788	(415)	-	-	373
Bank loans	(2,315)	250	-	-	(2,065)
Lease liabilities	(98)	76	(94)	(5)	(121)
11.5% cumulative preference shares	(11)	-	-	-	(11)
Liabilities	(2,424)	326	(94)	(5)	(2,197)
Net debt	(1,636)	(89)	(94)	(5)	(1,824)